

City of Naples, Florida



**Comprehensive Annual Financial Report
For the Year Ended September 30, 2011**

THE CITY OF NAPLES, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2011
(With Independent Auditors' Report Thereon)

Prepared By:
FINANCE DEPARTMENT



City of Naples, Florida

Principal Officials

September 30, 2011

Mayor

Bill Barnett

Vice Mayor

John F. Sorey III

City Council

Douglas Finlay

Teresa Heitmann

Gary B. Price II

Sam J. Saad III

Margaret Sulick

City Attorney

Robert D. Pritt

City Clerk

Tara Norman

City Manager

A. William Moss

Department Directors

Assistant City Manager

Building Official

Community Services Director

Fire Chief

Finance Director

Human Resources Director

Planning Director

Police Chief

Streets and Stormwater Director

Technology Services Director

Utilities Director

Roger Reinke

Paul Bollenback

David M. Lykins

Stephen R. McNerny II

Ann Marie S. Ricardi

Denise K. Perez

Robin D. Singer

Thomas Weschler

Gregg Strakaluse

Stephen A. Weeks

Robert Middleton

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City of Naples

FINANCE DEPARTMENT
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March 13, 2012

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

The Comprehensive Annual Financial Report (CAFR) of the City of Naples, Florida, (the "City") for the fiscal year ended September 30, 2011, is hereby submitted. This Annual Report was prepared by the Finance Department, and is in compliance with Florida Statutes Chapter 218.39, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and Section 2-601 of the City Code of Ordinances.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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 City of Naples' basic financial statements have been audited by Mauldin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2011, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Naples' financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Originally developed as a winter retreat for people with permanent homes in the north, Naples grew from a small frontier-style fishing camp in the 1920s to its current status as a premier City. Naples continues to attract a retirement population that is among the most affluent and well educated in the State. The community is often considered to have a resort lifestyle.

The City of Naples is located on the Gulf of Mexico in Southwest Florida, and it is the cultural and activity center of Collier County. Still, the City is less than 20 miles away from the tropical wilderness of the Florida Everglades, with its alligators, natural orchids, Florida panther, Wood Storks, West Indian manatee, cypress forests and mangrove forests. The City has a permanent population of approximately 19,500, increasing to 33,000 during the peak winter season. In addition to its natural features, the City of Naples is known for its world-class shopping, exceptional dining opportunities and abundance of challenging golf courses.

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.

Naples was incorporated on December 1, 1923. It is approximately 16 square miles in size and has 108 miles of streets.

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

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

Member	Term Ends
Bill Barnett, Mayor	February 2012
Douglas Finlay	February 2014
Teresa Heitmann	February 2012
Gary B. Price II	February 2014
Sam Saad III	February 2014
John Sorey III	February 2012
Margaret “Dee” Sulick	February 2012

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

The Reporting Entity and its Services

The City provides a full range of municipal services authorized by statute and local charter. These include police and fire services, streets, sidewalks and stormwater systems, parks and parkways, recreation, planning, water, sewer, solid waste, and general administrative services. Schools are provided by Collier County School District, while ambulance, jail, animal control, judicial, library, and human services are provided by Collier County.

Moorings Bay Special Taxing District, East Naples Bay Special Taxing District and the Community Redevelopment Agency are blended component units of this reporting entity, because these Districts are governed by Naples City Council. The two Special Taxing Districts were created and established by Ordinances #87-5328 and #87-5330, respectively, for providing maintenance dredging in the channels and waterways within the area or boundary of the respective District, and to maintain necessary aids to navigation. Funds for the taxing districts are provided through an ad valorem tax that is levied only within these specified districts. Ordinance #94-7099 created the Community Redevelopment Agency for the rehabilitation, conservation or redevelopment of the designated district. The tax increment from Collier County and the City provide 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 responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

The City's Fiscal Year begins October 1. By January, staff is already preparing for the next budget year by developing 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 City Council by June 1, in accordance with the City Code of Ordinances, but the final budget is not adopted until September.

The adopted budget may be amended in two ways.

1. The budget ordinance authorizes the City Manager to transfer money within a fund, except that he cannot increase regular staffing levels or modify the intent of the Capital Improvement Budget.

2. Changes that would increase the total budget of a fund, increase staffing levels, or modify the intent of the Capital Improvement Budget must have City Council approval by resolution.

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 City 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.

Factors Affecting Financial Condition

Local Economy

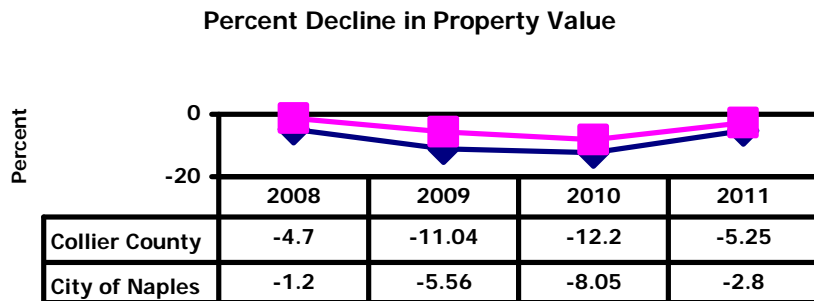
For many years, the City enjoyed a stable, growing economic environment. However, the challenges that have affected the nation also presented economic challenges to the City. Naples has a relatively limited undiversified trade and industry base that primarily includes tourism, retail, construction and health care, and with much dependence on tourism. However the charm that brought people to the City in droves during the good times, kept many coming back in the economic downturn.

Fiscal year 2010-11 represented the fourth year of governmental cutbacks and expenditure reductions to address the affects of the nationwide economic decline and the change in citizen attitudes about money. The City has a reputation as a high-end tourist destination and a retreat for the wealthy, but the economic conditions were taking a toll.

The General Fund receives approximately 50% of its revenue from the property tax. Because of the decline in taxable values, business decisions were made to reduce the cost of government. Changes included revamping the health insurance programs, eliminating positions, and reducing overall operating expenditures.

The City is limited by the Constitution of the State of Florida to an ad valorem tax levy of ten mills on each dollar of assessed valuation for operating expenditures. At 1.18 mills, Naples' ad valorem tax remains significantly below the maximum allowed.

Naples' taxable value continued to decline as part of the overall national economic decline. As of September 2011, the taxable value of the City was \$14.557 billion, compared to the 2010 valuation of \$14.976 billion, a decrease of 2.8% from the prior year, its fourth consecutive year of decline. City property values have been subject to a lesser decline than Collier County. Collier County property values declined 4.7% in 2008, 11.04% in 2009, 12.2% in 2010 and 5.25% in 2011, while the decline in Naples property values was 1.2%, 5.56%, 8.05% and 2.8% for the same period. The chart below tracks this trend.



Although the national economy was struggling and the City faced fiscal challenges, the City continued to be a destination point for Collier County residents and visitors, in part due to its 40 public beach access points, the City Pier, and the multitude of vibrant mixed-use retail/dining areas. Beach parking revenues, which to some degree track the number of visitors, remained as high as in previous years.

The Building Department issued 78 new single-family building permits for FY2011, a significant increase in comparison to the 53 permits issued in FY2010, but still lower than the peak years ending in FY2005, with more than 180 single family permits issued that year.

For 2010 (the most current available data), the U. S Census Bureau estimated Naples' per capita income at \$77,973, compared to the national average of \$27,041 and the state average of \$26,551. Collier County's estimated per capital income is \$37,046.

Long-term financial planning

The City has several long term financial and operating planning processes in place, all of which eventually integrate into the budget. In June 2007, the City established a Ten-Year Vision Plan, which was created by the Citizens and adopted by the City Council. This vision has been incorporated into each subsequent budget with goals and objectives to achieve the vision.

The City's Five-Year Capital Improvement Program (CIP) is used to plan for current and future financial needs. Developed during the spring and presented to City Council in June, fundable projects from this document are incorporated into the adopted budget while establishing a needs assessment for future years.

Annually and shortly after each fiscal year end, the Finance Department prepares a General Fund Five Year Sustainability report. This report, which combines fact with projections, identifies the potential fiscal shortfalls in the next five years. Concurrently the Community Redevelopment Agency (CRA) Sustainability report is prepared, however, instead of for five years, the CRA report projects revenues and expenditures for the life of the CRA. Because both of these funds (General and CRA) are dependent on property taxes, the reports help guide city policy relating to tax rates and budgets.

Relevant Financial Policies

In September 2009, the City Council passed Resolution 09-15212, which amended an updated the City's financial policies. These policies covered five major areas: Budgetary and Financial Planning; Financial Reporting; Capital Improvement; Debt Management; Investments and Fund Balance. These were subsequently amended in 2012, retroactively to September 30, 2011, to have the Fund Balance Policy reflect the requirements of GASB 54.

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

During 2010-11, the City carefully monitored fund balance, particularly in the General Fund, where the unassigned fund balance is exceeding the maximum recommended amount. The amount by which the unassigned fund balance exceeds the recommended maximum is referred to as the "Tax Stabilization Fund." Although not legally described as such, future budget planning via the Five Year Sustainability report includes mitigating the need for short term tax increases with the overage of fund balances.

Major Initiatives

The Ten-Year Vision Plan adopted in 2007 provided a framework for many of the City's programs and projects. Major initiatives of the City typically are aimed at achieving the major goals of the vision plan. Listed below are a few of the initiatives taken to address some of the visions.

Vision Goal: Preserve the Town's distinctive character and culture.

For the fourteenth consecutive year, the City received the Tree City U.S.A. designation, and for the fourth consecutive year, the City received a Tree City U.S.A. Growth Award. The Parkways Division of the Community Services Department planted 659 trees and palms as part of the fiscal year Tree Fill-in Program, while a request from the Park Shore Property Owners Association to the City Council resulted in the funding of 122 additional Mahogany and Live Oak trees along Crayton Road.

The Norris Center remains known for the variety of cultural programs that are offered such as the Bluewater Bluegrass Series, cabaret performances, Naples City Improv Comedy Series, Paradise Coastmen Barbershop Chorus, one woman shows and other performers from around the country. The Gulfshore Playhouse, officially calling the Norris Center their home, doubled their ticket sales for the second year in a row and the subscriptions are fifty percent higher than last year. Gulfshore Playhouse and the Norris Center won for the fourth year in a row the reader's choice "Best Live Theatre" in Southwest Florida by the readers of the Naples Daily News. Cambier Park hosts a variety of outdoor concerts on Sundays and now offers jazz concerts the third Monday evening of the month during the season, provided by the Naples Jazz Orchestra. All these are in addition to the exercise classes, martial arts classes, art classes, culinary classes, computer classes, dance classes, specialty camps, holiday camps, day camps, school day out programs, fitness memberships, computer lab public access and aquatic classes that are regularly provided at recreation centers.

The Community Redevelopment Agency (CRA) in conjunction with the Streets and Stormwater Department and the Community Services Department–Parks and Parkways Division staff, completed a renovation project on 5th Avenue South. The project included the replacement of streetlights, the installation of pavers at select locations, placement of pots to provide for more colorful plant materials, the construction of planters, and the repair and rerouting of associated irrigation supply lines.

The City's Code Enforcement Division processed an average of 400 code enforcement issues per month. These range from a simple phone call, to a case going before the Code Enforcement Board. Staff obtains compliance on the majority of the violations, maintaining the quality of life expected by Naples residents. Staff also works closely with bank representatives to maintain foreclosed property and limit expenses. The budget for property maintenance (lot mowing) was \$4,000; however, only \$1,350 was expended because compliance was achieved.

Vision Goal: Maintain an extraordinary quality of life for residents.

On November 17, 2010, City Council approved a reorganization separating the combined Emergency Services Department into individual Police and Fire departments, although support staff, including Communications Division staff, will continue to be shared.

Crime statistics are kept on a calendar year basis due to Uniform Crime Reporting requirements. In calendar year 2010, crime in the City decreased 15.16% from 2009 levels, falling to the lowest level in more than a decade. In a reversal of this trend for the first nine calendar months of 2011, uniform crime report cumulative data revealed an 8.57% increase in criminal cases. Even though crime reports increased in the beginning of the calendar year, they remained near historic lows.

In addition to the many activities available at existing City parks, a new park for dog lovers and their pets was constructed. Private donations exceeding \$200,000 were raised for the creation of the City's first Dog Park. The park was constructed on City owned land on Riverside Circle, just east of Goodlette Frank Road. Funding for construction of the park and annual maintenance costs were provided through fund-raising programs and special events sponsored and organized by interested citizens dedicated to the creation of this new park.

Vision Goal: Strengthen the economic health and vitality of the City.

The City received a Preliminary Digital Flood Insurance Rate Map (DFIRM) in July 2010. A large number of residents can expect this DFIRM to benefit them financially with lower flood insurance rates and decreased costs to build in the future. The maps went through an appeal period that ended in February 2011. The City submitted only three appeals and received confirmation that all three appeals were approved to be included in the new DFIRM on September 12, 2011. A Final Letter of Determination was received on November 16, 2011 and the adoption of the maps is expected in March of 2012.

As a result of a five-year audit, the City retained a Class 3 Insurance Services Office (ISO) rating for both one and two family construction, as well as commercial and industrial construction effective January 1, 2011. Due to the Class 3 rating, City residential and commercial property owners will continue to experience a significant savings on their homeowners and commercial property insurance.

The City's Risk Management team reduced and/or eliminated the City's risk of financial loss by negotiating the settlement of six claims pre-litigation; decreased lost work hours associated with on the job injuries by 71%; processed fifty-seven claims in house saving the City approximately \$35,000 in claims administration fees and recovered \$40,801 from responsible parties.

Human Resources Department staff successfully negotiated voluntary three-year collective bargaining agreements with AFSCME, GSAF/OPEIU, and FOP. All of these agreements included major pension reform and changes to health insurance benefits. The total projected savings of pension reform is \$112.5 million over the next thirty years. Ultimately, pension obligations are passed on to taxpayers; therefore, this savings will moderate the cost of government long into the future.

The employee health plan was evaluated, plan design changes developed, and the premium rate structure modified for implementation in the 2011-2012 fiscal year. The traditional (Point of Service) plan was eliminated, offering only the high deductible plan (Consumer Driven Health Plan) to aid in reducing City costs while still providing a competitive level of benefits in the labor market. Labor negotiations with the International Association of Fire Fighters are on-going; therefore, pension changes and health plan changes do not affect the employees represented by this union.

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

Distinguished Budget

The City's budget for 2010-11 received the GFOA's Distinguished Budget Presentation Award for the sixth time. In order to qualify for the Distinguished Budget Presentation Award, the budget had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Naples, Florida, for our Annual Financial Report for the fiscal year ended September 30, 2010.

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

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

Acknowledgements

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

Respectfully submitted,



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, 2010

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.



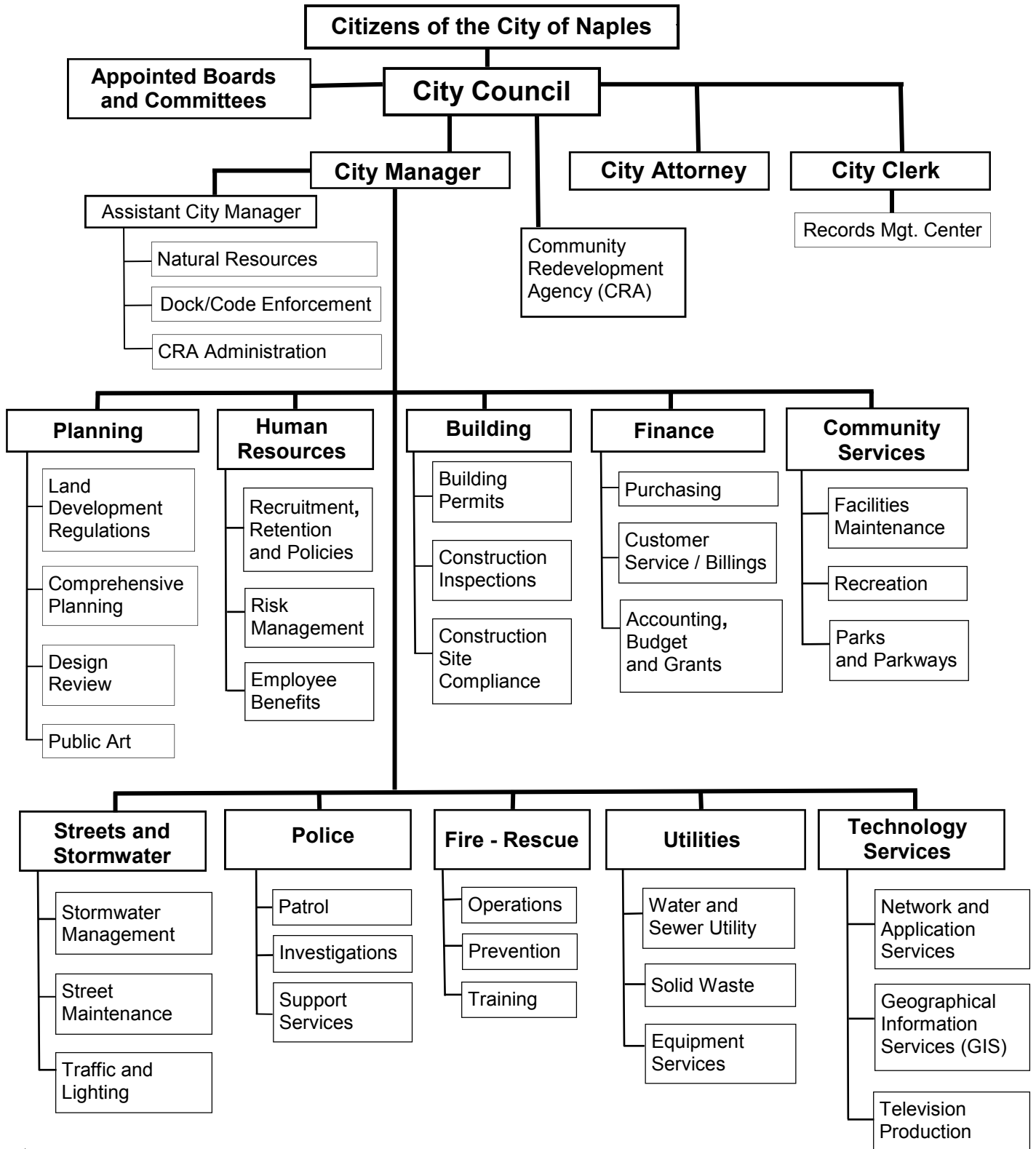
Linda C. Davison

President

Jeffrey R. Enos

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, (the "City") as of and for the year ended September 30, 2011, 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'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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note IV (N), the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective October 1, 2010.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis, budgetary comparison information, and pension and other post employment benefit schedules on pages 3-13, 98-102 and 103-106, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 13, 2012

The City of Naples, Florida

Management's Discussion and Analysis

September 30, 2011

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, 2011.

Financial Highlights

- The assets of the City exceeded its liabilities at September 30, 2011, by \$203.5 million (net assets). Of this amount, \$66.1 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 \$7.7 million.
- As of September 30, 2011, the City's governmental activities reported combined ending net assets of \$94 million. This is an increase of \$0.2 million from the prior year. Approximately 35% of net assets is unrestricted.
- The City's total debt decreased by \$6.0 million during the current fiscal year. This decrease is discussed further in Debt Administration.

Overview of the Financial Statements

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

Major Fund Presentation

An important element of the governmental financial reporting model is the focus on reporting significant financial activity by fund type with emphasis on major funds in both governmental and proprietary fund financial statements. In following GASB 34, the City is required to separate major funds from nonmajor funds. Only major funds are shown separately in the financial statements while nonmajor funds are combined together and shown in a single column. Nonmajor funds, however, are disclosed separately in the combining and individual fund financial statements and schedules section of this report.

GASB requires that the General Fund always be considered a major fund. The statement also requires other governmental and or enterprise funds to be shown as major funds if they meet the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent 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 percent of the total for all governmental and enterprise funds combined.

The statement also allows management the flexibility to report funds that do not meet the above criteria but believe the funds have a significant impact on the City. Management determined that three additional funds, the Capital Projects Fund, Community Redevelopment Fund, and Streets and Traffic Fund, were to be included as major funds, even though they do not meet the above criteria.

The Government-Wide Financial Statements

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

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, street maintenance, planning, parks and recreation, building and code enforcement and general administration. Major revenues supporting these activities are ad valorem taxes, sales and gas taxes, franchise, 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 fund, the Community Development Block Grant fund, the Improvement fund, the Confiscated Properties fund, the Public Arts fund, the Land Conservation Trust fund, the 41-10 Public Open Space fund, the Parking Trust fund, the Impact Fee fund, the Business Improvement District 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 an other financing source, and purchases of capital assets are considered expenditures whereas depreciation is not since there is no outlay of cash.

- **Proprietary funds** – are used to account for the business-type activities of the City. There are two types: enterprise funds and internal service funds. The City’s enterprise funds are the Water and Sewer fund, the Solid Waste fund, the Stormwater fund, and nonmajor enterprise funds consisting of the Naples Beach fund, the City Dock fund and the Tennis fund. The internal service funds include the Equipment Services fund, Risk Management fund, Health Benefits fund and the Technology Services fund. All proprietary funds use the full accrual basis of accounting and the economic resources measurement focus. Fees or charges for services are the primary revenue sources for proprietary funds.
- **Fiduciary funds** - are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting method used for fiduciary funds is similar to proprietary funds.

The fund financial statements present information in more detail than the government-wide financial statements. Major funds are reflected separately and nonmajor funds are combined into “other funds” and are reflected in detail in the combining and individual fund financial statements and schedules section of this report. 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 reconciliations 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 28-33**) 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 41.

Required Supplementary Information

Generally accepted accounting principles (GAAP) call for certain unaudited information to accompany the audited basic financial statements and accompanying footnotes. This information is called required supplementary information (RSI) and includes this analysis (the MD&A), the budgetary comparison schedules for the General Fund, Community Redevelopment Fund, and Streets and Traffic Fund, and trend data on pension funding and other post-employment benefits.

Government-wide Financial Analysis

The City's combined net assets as of September 30, 2011 were \$203.6 million. The City's combined revenues, including contributions, grants, charges for services and taxes were \$86.9 million. Total expenses, Citywide were \$79.2 million. Table 1 reflects the summary statement of net assets for the current and prior year.

Table 1

Statement of Net Assets

(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 55,026	56,326	44,008	38,587	99,034	94,913
Capital assets	65,251	68,108	100,818	101,038	166,069	169,146
Total assets	120,277	124,434	144,826	139,625	265,103	264,059
Long term liabilities outstanding	23,055	26,195	28,414	30,671	51,469	56,866
Other liabilities	3,190	4,443	6,890	6,919	10,080	11,362
Total liabilities	26,245	30,638	35,304	37,590	61,549	68,228
Net assets:						
Invested in capital assets, net of related debt	47,910	47,102	72,489	70,342	120,399	117,444
Restricted	12,988	983	4,070	3,123	17,058	4,106
Unrestricted	33,134	45,711	32,964	28,570	66,098	74,281
Total net assets	\$ 94,032	93,796	109,523	102,035	203,555	195,831

The largest portion of the City's net assets (59%) 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 8% of the total net assets) are subject to external restrictions on how they may be used. The remaining 33% of unrestricted net assets, \$66.1 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 \$7.724 million. Governmental activities increased by \$0.236 million. Business type activities accounted for \$7.488 million of the increase.

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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,812	5,630	42,444	41,463	48,256	47,093
Operating grants and contributions	2,910	3,190	622	638	3,532	3,828
Capital grants and contributions	294	425	1,726	2,992	2,020	3,417
General Revenues:						
Property taxes	17,872	19,419	-	-	17,872	19,419
Other taxes	8,158	7,954	-	-	8,158	7,954
Franchise fees	3,475	3,499	-	-	3,475	3,499
Intergovernmental revenues	2,847	2,826	-	-	2,847	2,826
Unrestricted investment earnings	372	542	186	258	558	800
Other	176	45	54	18	230	63
Total revenues	<u>41,916</u>	<u>43,530</u>	<u>45,032</u>	<u>45,369</u>	<u>86,948</u>	<u>88,899</u>
Expenses:						
General government	5,623	6,395	-	-	5,623	6,395
Public safety	23,957	25,617	-	-	23,957	25,617
Physical and economic environment	3,239	3,208	-	-	3,239	3,208
Transportation	3,553	3,715	-	-	3,553	3,715
Cultural and recreation	6,851	7,243	-	-	6,851	7,243
Interest and fiscal charges	444	956	-	-	444	956
Water and sewer	-	-	24,300	24,334	24,300	24,334
Solid waste	-	-	5,498	5,367	5,498	5,367
Stormwater	-	-	2,642	2,458	2,642	2,458
Other	-	-	3,117	3,094	3,117	3,094
Total expenses	<u>43,667</u>	<u>47,134</u>	<u>35,557</u>	<u>35,253</u>	<u>79,224</u>	<u>82,387</u>
Increase (decrease) in net assets before special items and transfers	(1,751)	(3,604)	9,475	10,116	7,724	6,512
Transfers	<u>1,987</u>	<u>1,986</u>	<u>(1,987)</u>	<u>(1,986)</u>	<u>-</u>	<u>-</u>
Change in net assets	236	(1,618)	7,488	8,130	7,724	6,512
Net assets - beginning	<u>93,796</u>	<u>95,414</u>	<u>102,035</u>	<u>93,905</u>	<u>195,831</u>	<u>189,319</u>
Net assets - ending	<u>\$ 94,032</u>	<u>93,796</u>	<u>109,523</u>	<u>102,035</u>	<u>203,555</u>	<u>195,831</u>

The total primary government revenues decreased \$1.951 million or 2.19% under last year's total revenues. The governmental activities revenue decreased \$1.614 million. The primary reasons for the decrease in governmental activity revenue are as follows:

- A decrease of \$1.547 million occurred in the area of property taxes while a decrease of \$280 thousand occurred in operating grants and contributions.
- Investment Earnings decreased \$170 thousand or 31% from the prior year, due to the weakening economy.

Business-type activities revenue decreased \$337 thousand or .7% under the revenues of 2010. Business type activity revenue was led by a decrease in capital grants and contributions in the amount of 1.27 million.

The total primary government's expenses decreased \$3.163 million or 3.84%. Governmental activities reported a 7.35% decrease in expenses, with business type activities reporting a 0.8% increase. The primary reason for the governmental activity decrease is the reduction in employees and other personnel costs.

Governmental Activities

Table 3 presents the cost of each of the City's four largest programs as well as each program's net cost (total cost less revenues, excluding taxes, generated by the activities). The net cost represents the portion of each program that is supported by various taxes.

The cost of all governmental activities this year was \$43.7 million. As shown in the statement of activities on page 18, the net cost that was ultimately paid through taxes was \$34.7 million. The \$9.0 million of the cost of governmental activities not covered by general revenues was provided by:

- \$5.8 million in charges for services, made of \$2.5 million in building/permit fees, \$1.0 million in police and fire services, \$0.8 million for recreation fees, and the balance from various fees related to transportation, economic environment and general government services.
- \$2.9 million in operating grants and contributions, including \$1.68 million from Collier County's share of the Community Redevelopment Tax Increment Financing District and the remaining from other grants from agencies including FDOT, Tourism Development and Collier County.
- \$0.29 million in capital grants and contributions, which includes \$.2 million from street impact fees, and \$0.09 million from general government, public safety and recreation grants.

Table 3

Governmental Activities

(In thousands)

	Total Cost of Service		Net Cost of Service	
	2011	2010	2011	2010
Public safety	\$ 23,957	25,617	20,071	21,864
Physical and economic environment	3,239	3,208	690	222
Transportation	3,553	3,715	3,225	3,389
Cultural and recreation	6,851	7,243	5,846	6,207
All others	6,067	7,351	4,820	6,206
Totals	\$ 43,667	47,134	34,652	37,888

Business-type activities

Revenues of the City's business-type activities (see Table 2) totaled \$45 million.

The Water and Sewer fund represents 72% of the business-type activities' net assets. Total Water and Sewer operating revenues were up \$752,213 and operating expenses were up \$54,991 from last year. Interest income from all business-type activities showed a 28% decrease over the prior year, due to the overall declining investment market.

City Code allows for water and sewer fees and stormwater fees to be adjusted automatically, based on the Consumers Price Index and the Public Services Commission Deflator Index, respectively. These small annual increases (1.5% and 0.56%, respectively) help prevent any major rate jumps in any single year. There were no increases in solid waste fees.

Financial Analysis of the City's Funds

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

Governmental funds. The fund financial statements for the governmental funds are shown on pages 20-27. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

In particular, unassigned fund balance may serve as a useful measurement of a government's net resources for spending at the end of the fiscal year. As of September 30, 2011, the City's governmental funds reported combined ending fund balances of \$42.99 million, a decrease of \$294,279 in comparison with the prior year. Approximately 36.1% of this total (or \$15.508 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted, committed or assigned to indicate that it is not available for new spending. Major restrictions, commitments and assignments are outlined in Note IV (H) in the notes to the financial statements.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15.508 million, while the total fund balance was \$19.248 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47% of the total fiscal year 2011 general fund expenditures, while total general fund balance represents 58% of that same amount.

General Fund expenditures were \$2,282,942 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. Major cost under-runs were in the City Attorney Office, Fire, Police, Community Services and Non-departmental areas. The City Attorney was \$220,641 under budget. Fire was \$507,159 under budget primarily due to a prepaid pension contribution. Police was \$342,626 under budget mainly due to personnel cost savings of \$197,177. Community Services expended \$855,709 less than the budgeted amount, primarily due personnel cost, median maintenance supplies and professional services that were \$670,043 under budget.

The City used \$85,582 of prior year reserves to fund prior year end encumbrances for professional services and equipment commitments.

The fund balance of the City's General Fund increased by \$1.774 million during the fiscal year. The budget was developed as a balanced budget, with revenues equal to expenditures; therefore factors in this increase of fund balance are primarily due to expenditures less than budget, as described above.

The Debt Service fund has a total fund balance of \$1.437 million of which \$1.299 million is assigned for the payment of debt service and \$0.138 million is restricted to debt service. The net decrease in fund balance during the current year in the debt service fund was \$2.007 million which was mainly due to the refinancing of debt. Taxes received in this fund first pay for the general government debt and then the balance is used to provide funds for general government capital projects. This year the amount transferred to capital projects was \$2,330,015.

The Capital Projects fund has a total fund balance of \$6.302 million of which \$0.853 million is committed for contracts issued, \$5.413 million is assigned for future capital projects, and \$38,163 is nonspendable for advances to other funds.

The fund balance in the Community Redevelopment fund decreased \$127,424 in 2011 with an ending fund balance of \$3,116,863 million. As a fund with major capital goals the fund balance will be directed toward future capital projects named in the fifteen year plan.

The fund balance in the Streets and Traffic fund decreased \$525,681 in 2011 with an ending fund balance of \$4.285 million. The key factor for the decrease was funding by City Council of prior year reserves for the ongoing annual overlay program and capital purchases.

The combined fund balances for all governmental (major and non-major) funds decreased by \$294,279 for FY 2011 or 0.68%.

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 28.

Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to \$16.373 million in the Water and Sewer fund, \$6.214 million in the Solid Waste fund, \$7.670 million in the Stormwater fund, \$2.171 million in the Naples Beach fund, \$221 thousand in the City Dock fund and \$316 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 following is a brief review of the budgeting changes from the original to final budget.

The increase in budgeted revenues of \$1,360,522 was attributed to a) \$1,319,318 increase in Insurance Premium Tax revenue from the State of Florida for Police and Fire pensions not in original budget, b) \$14,494 increase in Intergovernmental grants, c) \$26,250 increase in charges for services and d) \$460 increase in Fines and forfeitures.

The increase between the General Fund's original appropriations and the final amended budget was \$1,483,016. Of this change, **a)** \$100,919 was allocated to General government services to provide funding for employee benefits consulting services and prior year commitments, **b)** \$1,326,755 to Public safety to provide pension contributions to the Police and Fire pension funds in the amount of \$553,720 and \$765,598 respectively, and \$7,437 in operating expenditures, **c)** \$55,342 to Community Services to provide funding for tree planting, the New Year Eve fireworks, maintenance and a potable water conservation grant.

Capital Assets and Debt Administration

Capital Assets

The City as of year-end had \$166.1 million invested in a variety of capital assets, as reflected in the following table, which represents a net decrease (additions less retirements and depreciation) of \$3.08 million or 1.82%

from the end of last year . The City has been recording infrastructure, including streets, sidewalks, bridges, lighting and storm drainage, as a separate asset since 1980.

Table 4

Capital Assets at Year-End

(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 11,826	11,826	3,112	3,112	14,938	14,938
Buildings	37,717	37,730	61,513	61,299	99,230	99,029
Improvements other than buildings	31,890	31,225	42,068	33,150	73,958	64,375
Infrastructure	31,625	31,112	82,816	86,716	114,441	117,828
Machinery and equipment	16,023	16,094	17,063	16,166	33,086	32,260
Construction in progress	1,039	231	3,816	3,603	4,855	3,834
Less accumulated depreciation	(64,869)	(60,110)	(109,570)	(103,008)	(174,439)	(163,118)
Totals	\$ <u>65,251</u>	<u>68,108</u>	<u>100,818</u>	<u>101,038</u>	<u>166,069</u>	<u>169,146</u>

This year's major additions are:

Governmental activities:

Police Air Conditioning Upgrade	\$ 580,424
Fifth Ave S. Lighting	743,683
Citywide Phone System	264,000

Business-type activities:

East Naples Solana Rd Booster Pump	\$ 377,684
Alternative Water Supply	972,770
Cove Pump Station	1,545,430
Basin V Stormwater Improvement	1,427,657
Riverside Filter Marsh	382,638

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

Debt Outstanding

As of year-end, the City had \$45,670,744 in debt (bonds, notes, etc.) outstanding compared to \$51,702,065 in 2010, a \$6,031,321 (11.67%) decrease.

Table 3
Outstanding Debt at Year-end

	<u>2011</u>	<u>2010</u>
Governmental:		
General obligation	\$ 2,205,000	2,700,000
Public service tax revenue	-	7,895,000
Redevelopment	-	4,280,000
Capital improvement	15,662,000	6,201,000
Unamortized deferred loss on refunding	(515,545)	-
Unamortized discount	(10,297)	(69,771)
Subtotal	<u>17,341,158</u>	<u>21,006,229</u>
Business-type:		
Water/Wastewater revenue	13,378,961	13,981,281
State revolving loan - Wastewater	12,530,082	14,065,564
State revolving loan - Stormwater	2,192,383	2,377,508
Public service tax - Tennis	-	300,000
Capital improvement	255,000	-
Unamortized issuance discount	(26,840)	(28,517)
Subtotal	<u>28,329,586</u>	<u>30,695,836</u>
Total	<u>\$ 45,670,744</u>	<u>51,702,065</u>

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

Economic Factors and Next Year Budget and Rates

In September 2011, the City Council approved a \$108.1 million budget for fiscal year 2011-12, which is approximately a 3.5% decrease under the prior year's budget. The budget for FY11-12 was developed with an emphasis on:

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

The City's 2011-12 budget was balanced using a millage rate less than the roll back millage rate, despite the property tax reform bills passed by the Florida legislature. The budget assumes a millage rate of 1.18, which is 3% less than the rolled back rate of 1.2157 and the same as the 2009-10 and 2010-11 millage rates. Increased costs included employee health insurance, fuel, improvements other than buildings, vehicle purchases and a reserve for Fire Station #1. These were again offset by the reduction in force, with a net four fewer positions than

in FY 2010-11 city-wide. With minor exceptions, operating departments show a decrease from the FY 2010-11 budget.

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 2011-12:

- Taxable values of \$14,588,554,386 decreased 2.6% under the prior year.
- Personnel costs make up a significant portion of City operating costs. For 2011-12, wage concessions or benefit reductions were negotiated to reduce city costs.
- Pension expenses are projected to increase approximately 4.82% for police contributions; 1.85% for general employee contributions, and 2.27% for fire contributions.
- There was a net decrease of four positions citywide for the 2011-12 budget.
- Continued low levels of building permit activity.
- The continued decline in consumer wealth and consumer spending combined with the overall decline in economic activity and property values affected property taxes and certain charges for services. These are not projected to change in the 2011-12 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 S., Naples, Florida 34102, or telephone (239) 213-1820 or email to finance@naplesgov.com. Additional information about the City, including email addresses for the various departments, can be obtained at the City's website www.naplesgov.com.

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BASIC FINANCIAL STATEMENTS

CITY OF NAPLES, FLORIDA

Statement of Net Assets

September 30, 2011

Assets	Primary Government		
	Governmental activities	Business-type activities	Total
Cash and investments	\$ 50,904,859	29,584,146	80,489,005
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	468,362	7,159,155	7,627,517
Special assessments	161,831	114,029	275,860
Utility taxes	223,303	-	223,303
Miscellaneous	10,917	1,820	12,737
Accrued interest	94,538	46,920	141,458
Due from other governments	785,005	1,288,580	2,073,585
Inventories	165,740	974,433	1,140,173
Prepaid items	42,843	-	42,843
Restricted assets:			
Cash and investments	138,453	4,753,795	4,892,248
Net pension assets	1,952,051	-	1,952,051
Deferred charges	78,120	85,218	163,338
Capital assets:			
Land and land improvements	11,826,200	3,111,902	14,938,102
Buildings and utility plants	37,716,558	61,512,696	99,229,254
Improvements other than buildings	31,889,844	42,068,478	73,958,322
Infrastructure	31,624,990	82,816,128	114,441,118
Equipment	16,023,150	17,062,967	33,086,117
Accumulated depreciation	(64,868,721)	(109,569,815)	(174,438,536)
Construction in progress	1,039,372	3,816,138	4,855,510
Net capital assets	<u>65,251,393</u>	<u>100,818,494</u>	<u>166,069,887</u>
Total assets	<u>120,277,415</u>	<u>144,826,590</u>	<u>265,104,005</u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

September 30, 2011

Liabilities	Primary Government		
	Governmental activities	Business-type activities	Total
Accounts payable and other current liabilities	\$ 2,806,839	2,660,321	5,467,160
Due to other governments	4,682	1,018,859	1,023,541
Unearned revenue	229,324	1,599,656	1,828,980
Customer deposits	4,079	29,334	33,413
Liabilities payable from restricted assets:			
Customer deposits	-	439,681	439,681
Current maturities of long-term debt	110,000	903,891	1,013,891
Accrued interest payable	35,509	238,674	274,183
Noncurrent liabilities:			
Long-term debt			
Due within one year	1,681,077	1,548,389	3,229,466
Due in more than one year	15,550,081	25,877,306	41,427,387
Compensated absences:			
Due within one year	353,951	147,716	501,667
Due in more than one year	1,952,404	614,781	2,567,185
Other post employment benefits	554,168	225,310	779,478
Claims payable:			
Due within one year	981,000	-	981,000
Due in more than one year	1,982,000	-	1,982,000
Total noncurrent liabilities	23,054,681	28,413,502	51,468,183
Total liabilities	26,245,114	35,303,918	61,549,032
Net Assets			
Invested in capital assets, net of related debt	47,910,235	72,488,908	120,399,143
Restricted for:			
Debt service	28,453	2,327,657	2,356,110
Renewal and replacement	-	1,742,783	1,742,783
Other	12,959,122	-	12,959,122
Unrestricted	33,134,491	32,963,324	66,097,815
Total net assets	\$ 94,032,301	109,522,672	203,554,973

CITY OF NAPLES, FLORIDA

Statement of Activities

Year Ended September 30, 2011

	<u>Expenses</u>	<u>Indirect expenses allocation</u>	<u>Charges for services</u>
Functions/programs:			
Governmental activities:			
General government	\$ 8,708,580	(3,085,903)	1,238,135
Public safety	23,577,414	379,683	3,803,409
Physical and economic environment	3,111,671	127,967	15,372
Transportation	3,420,914	132,374	3,942
Culture and recreation	6,850,817	-	751,480
Interest	443,739	-	-
Total governmental activities	<u>46,113,135</u>	<u>(2,445,879)</u>	<u>5,812,338</u>
Business-type activities:			
Water and sewer	22,571,916	1,728,364	29,055,653
Solid waste	5,159,926	337,650	5,974,018
Stormwater	2,483,285	158,906	4,538,097
Beach	1,236,953	132,820	1,125,781
Dock	1,213,727	49,980	1,298,741
Tennis	445,406	38,159	452,109
Total business-type activities	<u>33,111,213</u>	<u>2,445,879</u>	<u>42,444,399</u>
Total primary government	<u>\$ 79,224,348</u>	<u>-</u>	<u>48,256,737</u>

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
8,209	-	(4,376,333)	-	(4,376,333)
53,484	29,532	(20,070,672)	-	(20,070,672)
2,534,516	-	(689,750)	-	(689,750)
124,123	200,000	(3,225,223)	-	(3,225,223)
189,021	64,530	(5,845,786)	-	(5,845,786)
-	-	(443,739)	-	(443,739)
<u>2,909,353</u>	<u>294,062</u>	<u>(34,651,503)</u>	<u>-</u>	<u>(34,651,503)</u>
-	742,186	-	5,497,559	5,497,559
-	-	-	476,442	476,442
-	965,872	-	2,861,778	2,861,778
621,838	18,412	-	396,258	396,258
-	-	-	35,034	35,034
-	-	-	(31,456)	(31,456)
<u>621,838</u>	<u>1,726,470</u>	<u>-</u>	<u>9,235,615</u>	<u>9,235,615</u>
<u>3,531,191</u>	<u>2,020,532</u>	<u>(34,651,503)</u>	<u>9,235,615</u>	<u>(25,415,888)</u>
General revenues:				
Property taxes		17,872,322	-	17,872,322
Local communication and utility taxes		5,208,481	-	5,208,481
Insurance premium tax		1,319,318	-	1,319,318
Motor fuel taxes		1,386,067	-	1,386,067
Business tax		243,716	-	243,716
Franchise fees		3,474,511	-	3,474,511
Intergovernmental revenues—unrestricted		2,847,318	-	2,847,318
Unrestricted investment earnings		371,937	186,018	557,955
Miscellaneous revenues		171,799	-	171,799
Gain on sale of capital assets		4,718	53,633	58,351
Transfers		1,987,500	(1,987,500)	-
Total general revenues and transfers		<u>34,887,687</u>	<u>(1,747,849)</u>	<u>33,139,838</u>
Change in net assets		236,184	7,487,766	7,723,950
Net assets—beginning		<u>93,796,117</u>	<u>102,034,906</u>	<u>195,831,023</u>
Net assets—ending		<u>\$ 94,032,301</u>	<u>109,522,672</u>	<u>203,554,973</u>

CITY OF NAPLES, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2011

	General	Debt service
Assets:		
Cash and investments	\$ 19,337,052	1,106,756
Cash with fiscal agent	-	138,453
Receivables (net, where applicable, of allowance for uncollectible):		
Accounts	462,268	-
Special assessments	-	-
Utility taxes	-	223,303
Accrued interest	38,726	1
Due from other funds	25,394	-
Advances due from other funds	107,621	-
Due from other governments	626,065	18
Inventories	-	-
Prepaid items	42,843	-
Total assets	\$ 20,639,969	1,468,531
Liabilities:		
Accounts payable	\$ 693,506	31,137
Accrued payroll	474,749	-
Due to other governments	4,682	-
Due to other funds	-	-
Advances payable to other funds	-	-
Deferred revenue	219,340	-
Customer deposits	-	-
Total liabilities	1,392,277	31,137
Fund balances:		
Nonspendable	150,464	-
Restricted	13,791	138,453
Committed	3,528,888	-
Assigned	46,284	1,298,941
Unassigned	15,508,265	-
Total fund balances	19,247,692	1,437,394
Total liabilities and fund balances	\$ 20,639,969	1,468,531

See accompanying notes to financial statements.

<u>Capital projects</u>	<u>Community redevelopment</u>	<u>Streets and traffic</u>	<u>Other nonmajor governmental</u>	<u>Total</u>
6,372,888	3,339,060	4,590,520	9,264,391	44,010,667
-	-	-	-	138,453
10	-	-	6,084	468,362
161,831	-	-	-	161,831
-	-	-	-	223,303
11,744	9,620	8,080	16,057	84,228
-	-	-	-	25,394
38,163	-	54,858	-	200,642
21,938	-	93,642	34,552	776,215
-	-	28,441	-	28,441
-	-	-	-	42,843
<u>6,606,574</u>	<u>3,348,680</u>	<u>4,775,541</u>	<u>9,321,084</u>	<u>46,160,379</u>
140,731	16,135	478,581	658,298	2,018,388
-	15,040	11,918	30,852	532,559
-	-	-	-	4,682
-	-	-	25,394	25,394
-	200,642	-	-	200,642
161,841	-	-	6,084	387,265
1,842	-	-	2,237	4,079
<u>304,414</u>	<u>231,817</u>	<u>490,499</u>	<u>722,865</u>	<u>3,173,009</u>
38,163	-	83,299	-	271,926
-	3,116,863	4,201,743	5,516,725	12,987,575
853,127	-	-	3,075,858	7,457,873
5,410,870	-	-	5,636	6,761,731
-	-	-	-	15,508,265
<u>6,302,160</u>	<u>3,116,863</u>	<u>4,285,042</u>	<u>8,598,219</u>	<u>42,987,370</u>
<u>6,606,574</u>	<u>3,348,680</u>	<u>4,775,541</u>	<u>9,321,084</u>	<u>46,160,379</u>

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CITY OF NAPLES, FLORIDA

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

September 30, 2011

Total fund balances governmental funds (page 21)	\$ 42,987,370
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 (\$65,251,393) less amounts included in the internal service funds (\$1,065,845).	64,185,548
Accrued long term debt interest expense is not a financial use and, therefore, is not reported in the funds.	(35,509)
Long term liabilities, including bonds payable, compensated absences, and other post-employment benefits are not due and payable in the current period and, therefore are not reported in the funds. Total long term liabilities (\$23,164,681) less amounts reported in the internal service funds (\$3,134,548).	(20,030,133)
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.	161,831
Certain long term assets are not available to pay for current period expenditures and, therefore are not recorded in the funds.	2,030,171
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>4,733,023</u>
Net assets of governmental activities (page 17)	\$ <u><u>94,032,301</u></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, 2011

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>
Revenues:			
Taxes	\$ 20,376,948	3,484,634	-
Permits, fees, and assessments	3,547,073	-	68,979
Intergovernmental	3,142,392	-	-
Charges for services	1,629,099	-	-
Charges to other funds	3,720,708	-	-
Fines and forfeitures	191,695	-	-
Interest	145,746	625	67,910
Donations	-	-	-
Miscellaneous	156,313	9,041	-
Total revenues	<u>32,909,974</u>	<u>3,494,300</u>	<u>136,889</u>
Expenditures:			
Current:			
General government	8,142,497	63,088	92,907
Public safety	19,396,086	-	68,555
Physical and economic environment	360,358	-	182,843
Transportation	-	-	-
Culture and recreation	5,211,200	-	11,042
Capital outlay:			
General government	-	-	56,859
Public safety	2,440	-	891,373
Physical and economic environment	-	-	-
Transportation	-	-	-
Culture and recreation	-	-	566,387
Debt service:			
Principal	-	2,222,000	-
Interest and fiscal charges	-	575,943	-
Total expenditures	<u>33,112,581</u>	<u>2,861,031</u>	<u>1,869,966</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(202,607)</u>	<u>633,269</u>	<u>(1,733,077)</u>
Other financing sources (uses):			
Transfers in	2,040,000	1,067,533	2,583,720
Transfers out	(66,383)	(2,330,015)	(44,840)
Note issued	-	17,094,000	-
Payments to current refund debt	-	(10,186,000)	-
Payments to escrow agents	-	(8,285,998)	-
Proceeds from sale of capital assets	3,033	-	33,920
Total other financing sources (uses)	<u>1,976,650</u>	<u>(2,640,480)</u>	<u>2,572,800</u>
Change in fund balances	<u>1,774,043</u>	<u>(2,007,211)</u>	<u>839,723</u>
Fund balances—beginning of year	<u>17,473,649</u>	<u>3,444,605</u>	<u>5,462,437</u>
Fund balances—end of year	\$ <u><u>19,247,692</u></u>	<u><u>1,437,394</u></u>	<u><u>6,302,160</u></u>

See accompanying notes to financial statements.

<u>Community redevelopment</u>	<u>Streets and traffic</u>	<u>Other nonmajor governmental</u>	<u>Total</u>
556,250	1,386,067	226,005	26,029,904
-	200,000	2,838,960	6,655,012
1,680,287	361,368	52,552	5,236,599
-	-	279,882	1,908,981
-	-	-	3,720,708
-	-	40,880	232,575
26,403	36,935	58,865	336,484
-	-	258,985	258,985
1,880	3,942	6,445	177,621
<u>2,264,820</u>	<u>1,988,312</u>	<u>3,762,574</u>	<u>44,556,869</u>
-	-	8,746	8,307,238
-	-	2,598,320	22,062,961
1,017,548	-	385,199	1,945,948
-	2,191,327	-	2,191,327
-	-	80,560	5,302,802
-	-	-	56,859
-	-	94,747	988,560
307,421	-	571,026	878,447
-	322,666	-	322,666
-	-	18,000	584,387
-	-	-	2,222,000
13,625	-	-	589,568
<u>1,338,594</u>	<u>2,513,993</u>	<u>3,756,598</u>	<u>45,452,763</u>
<u>926,226</u>	<u>(525,681)</u>	<u>5,976</u>	<u>(895,894)</u>
13,883	-	-	5,705,136
(1,067,533)	-	(253,705)	(3,762,476)
-	-	-	17,094,000
-	-	-	(10,186,000)
-	-	-	(8,285,998)
-	-	-	36,953
<u>(1,053,650)</u>	<u>-</u>	<u>(253,705)</u>	<u>601,615</u>
(127,424)	(525,681)	(247,729)	(294,279)
<u>3,244,287</u>	<u>4,810,723</u>	<u>8,845,948</u>	<u>43,281,649</u>
<u>3,116,863</u>	<u>4,285,042</u>	<u>8,598,219</u>	<u>42,987,370</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, 2011

Net Changes in Fund Balances – total governmental funds (page 25)	\$ (294,279)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$5,549,821) exceeded capital outlays (\$2,830,919) in the current period.	(2,718,902)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(33,934)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	3,672,611
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.	(69,932)
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.	(846,325)
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>526,945</u>
Change in net assets of governmental activities (page 19)	<u>\$ 236,184</u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2011

Assets	Business-type activities – Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current assets:			
Cash and investments	\$ 13,678,447	5,719,128	7,436,938
Restricted cash and investments	4,543,182	-	205,150
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	5,393,221	922,176	710,688
Special assessments	114,029	-	-
Miscellaneous	-	-	-
Accrued interest	21,436	8,508	9,080
Due from other governments	1,000,000	-	152,525
Prepaid items	-	-	-
Inventories	949,220	-	-
Total current assets	25,699,535	6,649,812	8,514,381
Capital assets:			
Land	1,731,983	1,145,053	234,866
Buildings and utility plants	59,064,960	528,790	-
Improvements other than buildings	34,489,380	877,258	-
Infrastructure	62,645,307	-	20,170,821
Equipment	12,530,550	3,032,046	306,155
Accumulated depreciation	(89,626,852)	(3,061,419)	(8,473,890)
Construction in progress	3,816,138	-	-
Net capital assets	84,651,466	2,521,728	12,237,952
Unamortized issuance cost	85,218	-	-
Total noncurrent assets	84,736,684	2,521,728	12,237,952
Total assets	110,436,219	9,171,540	20,752,333

See accompanying notes to financial statements.

Nonmajor Funds	Total	Governmental activities – Internal Service Funds
2,749,633	29,584,146	6,894,192
5,463	4,753,795	-
133,070	7,159,155	-
-	114,029	-
1,820	1,820	10,917
7,896	46,920	10,310
136,055	1,288,580	8,790
-	-	-
25,213	974,433	137,299
<u>3,059,150</u>	<u>43,922,878</u>	<u>7,061,508</u>
-	3,111,902	-
1,918,946	61,512,696	831,246
6,701,840	42,068,478	-
-	82,816,128	-
1,194,216	17,062,967	2,153,868
(8,407,654)	(109,569,815)	(1,919,269)
-	3,816,138	-
<u>1,407,348</u>	<u>100,818,494</u>	<u>1,065,845</u>
-	85,218	-
<u>1,407,348</u>	<u>100,903,712</u>	<u>1,065,845</u>
<u>4,466,498</u>	<u>144,826,590</u>	<u>8,127,353</u>

(Continued)

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2011

	<u>Business-type activities – Enterprise Funds</u>		
Liabilities	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>
Current liabilities:			
Accounts payable	\$ 1,832,556	241,657	332,961
Accrued payroll	125,824	28,561	7,962
Due to other governments	1,018,859	-	-
Unearned revenue	1,190,173	-	262,805
Customer deposits	-	-	-
Current portion of compensated absences	74,289	45,043	10,471
Current maturities of long-term debt	1,365,726	-	127,663
Insurance claims payable	-	-	-
Total payable from current assets	<u>5,607,427</u>	<u>315,261</u>	<u>741,862</u>
Current liabilities (payable from restricted assets):			
Customer deposits	439,681	-	-
Current maturities of long-term debt	835,777	-	63,114
Accrued interest payable	216,068	-	22,143
Total payable from restricted assets	<u>1,491,526</u>	<u>-</u>	<u>85,257</u>
Total current liabilities	<u>7,098,953</u>	<u>315,261</u>	<u>827,119</u>
Noncurrent liabilities:			
Due in more than one year:			
Long-term debt	23,680,700	-	2,001,606
Compensated absences	473,685	81,365	13,896
Other post-employment benefits	153,675	39,682	11,270
Insurance claims payable	-	-	-
Total noncurrent liabilities	<u>24,308,060</u>	<u>121,047</u>	<u>2,026,772</u>
Total liabilities	<u>31,407,013</u>	<u>436,308</u>	<u>2,853,891</u>
Net Assets			
Invested in capital assets, net of related debt	58,769,263	2,521,728	10,045,569
Restricted for debt service	2,144,650	-	183,007
Restricted for renewal and replacement	1,742,783	-	-
Unrestricted	16,372,510	6,213,504	7,669,866
Net assets of business-type activities	<u>\$ 79,029,206</u>	<u>8,735,232</u>	<u>17,898,442</u>

See accompanying notes to financial statements.

Nonmajor Funds	Total	Governmental activities – Internal Service Funds
72,040	2,479,214	223,908
18,760	181,107	31,984
-	1,018,859	-
146,678	1,599,656	3,890
29,334	29,334	-
17,913	147,716	14,383
55,000	1,548,389	-
-	-	981,000
<u>339,725</u>	<u>7,004,275</u>	<u>1,255,165</u>
-	439,681	-
5,000	903,891	-
463	238,674	-
<u>5,463</u>	<u>1,582,246</u>	<u>-</u>
<u>345,188</u>	<u>8,586,521</u>	<u>1,255,165</u>
195,000	25,877,306	-
45,835	614,781	127,181
20,683	225,310	29,984
-	-	1,982,000
<u>261,518</u>	<u>26,717,397</u>	<u>2,139,165</u>
<u>606,706</u>	<u>35,303,918</u>	<u>3,394,330</u>
1,152,348	72,488,908	1,065,845
-	2,327,657	-
-	1,742,783	-
<u>2,707,444</u>	<u>32,963,324</u>	<u>3,667,178</u>
<u><u>3,859,792</u></u>	<u><u>109,522,672</u></u>	<u><u>4,733,023</u></u>

CITY OF NAPLES, FLORIDA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year Ended September 30, 2011

	<u>Business-type activities – Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>
Operating revenues:			
Charges for services:			
Water revenues	\$ 16,359,742	-	-
Sewer revenues	12,695,911	-	-
Other	-	5,974,018	4,538,097
Total operating revenues	<u>29,055,653</u>	<u>5,974,018</u>	<u>4,538,097</u>
Operating expenses:			
Personal services	6,727,371	1,602,860	507,009
Supplies and services	4,338,201	3,050,692	308,414
Materials	2,394,898	-	-
Utilities	1,994,406	16,048	21,042
Depreciation and amortization	6,124,659	430,009	1,556,560
General administration	1,728,364	337,650	158,906
Other	107,760	60,317	21,483
Total operating expenses	<u>23,415,659</u>	<u>5,497,576</u>	<u>2,573,414</u>
Operating income (loss)	<u>5,639,994</u>	<u>476,442</u>	<u>1,964,683</u>
Nonoperating revenues (expenses):			
Operating grants	-	-	-
Interest income	98,914	32,233	35,850
Interest expense	(884,621)	-	(68,777)
Gain (loss) on sale of capital assets	31,161	22,019	-
Total nonoperating revenues (expenses)	<u>(754,546)</u>	<u>54,252</u>	<u>(32,927)</u>
Income (loss) before contributions and transfers	4,885,448	530,694	1,931,756
Capital contributions	742,186	-	965,872
Transfers in	-	-	-
Transfers out	(1,668,000)	(372,000)	-
Change in net assets	3,959,634	158,694	2,897,628
Net assets—beginning of year	<u>75,069,572</u>	<u>8,576,538</u>	<u>15,000,814</u>
Net assets—end of year	<u>\$ 79,029,206</u>	<u>8,735,232</u>	<u>17,898,442</u>

See accompanying notes to financial statements.

<u>Nonmajor funds</u>	<u>Totals</u>	<u>Governmental activities – Internal Service Funds</u>
-	16,359,742	-
-	12,695,911	-
2,876,631	13,388,746	12,471,533
<u>2,876,631</u>	<u>42,444,399</u>	<u>12,471,533</u>
1,018,200	9,855,440	1,759,625
1,205,253	8,902,560	8,532,764
-	2,394,898	995,386
135,786	2,167,282	25,055
439,610	8,550,838	319,913
220,959	2,445,879	387,550
94,152	283,712	6,286
<u>3,113,960</u>	<u>34,600,609</u>	<u>12,026,579</u>
<u>(237,329)</u>	<u>7,843,790</u>	<u>444,954</u>
621,838	621,838	-
19,021	186,018	35,453
(3,085)	(956,483)	-
453	53,633	1,698
<u>638,227</u>	<u>(94,994)</u>	<u>37,151</u>
400,898	7,748,796	482,105
18,412	1,726,470	-
52,500	52,500	44,840
-	(2,040,000)	-
471,810	7,487,766	526,945
<u>3,387,982</u>	<u>102,034,906</u>	<u>4,206,078</u>
<u>3,859,792</u>	<u>109,522,672</u>	<u>4,733,023</u>

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year Ended September 30, 2011

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 28,985,590	5,967,819
Cash payments to suppliers	(9,301,459)	(3,106,907)
Cash payments to employees for services	(6,809,670)	(1,632,347)
Cash payments for interfund services	<u>(1,728,364)</u>	<u>(337,650)</u>
Net cash provided by operating activities	<u>11,146,097</u>	<u>890,915</u>
Cash flows from noncapital financing activities:		
Transfers	(1,668,000)	(372,000)
Operating grants	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(1,668,000)</u>	<u>(372,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(2,137,802)	-
Interest paid on long-term debt	(906,038)	-
Capital contributions	887,879	-
Proceeds from sale of capital assets	76,472	26,457
Acquisition and construction of capital assets	<u>(6,740,444)</u>	<u>(122,327)</u>
Net cash used by capital and related financing activities	<u>(8,819,933)</u>	<u>(95,870)</u>
Cash flows from investing activities:		
Interest and investment earnings	<u>98,249</u>	<u>31,817</u>
Net cash provided by investing activities	<u>98,249</u>	<u>31,817</u>
Net increase in cash and cash equivalents	756,413	454,862
Cash and cash equivalents—beginning of year	<u>17,465,216</u>	<u>5,264,266</u>
Cash and cash equivalents—end of year	<u>\$ 18,221,629</u>	<u>5,719,128</u>

Stormwater Fund	Nonmajor Funds	Total	Governmental Activities – Internal Service Funds
4,481,033	2,893,335	42,327,777	12,468,175
(261,562)	(1,407,816)	(14,077,744)	(9,415,062)
(556,169)	(1,043,341)	(10,041,527)	(1,841,310)
(158,906)	(220,959)	(2,445,879)	(387,550)
<u>3,504,396</u>	<u>221,219</u>	<u>15,762,627</u>	<u>824,253</u>
-	52,500	(1,987,500)	44,840
-	<u>619,448</u>	<u>619,448</u>	-
-	<u>671,948</u>	<u>(1,368,052)</u>	<u>44,840</u>
(185,125)	(45,000)	(2,367,927)	-
(70,647)	(4,578)	(981,263)	-
642,500	18,412	1,548,791	-
-	1,088	104,017	2,295
<u>(1,452,027)</u>	<u>(61,372)</u>	<u>(8,376,170)</u>	<u>(216,778)</u>
<u>(1,065,299)</u>	<u>(91,450)</u>	<u>(10,072,552)</u>	<u>(214,483)</u>
<u>35,618</u>	<u>17,609</u>	<u>183,293</u>	<u>35,335</u>
<u>35,618</u>	<u>17,609</u>	<u>183,293</u>	<u>35,335</u>
<u>2,474,715</u>	<u>819,326</u>	<u>4,505,316</u>	<u>689,945</u>
<u>5,167,373</u>	<u>1,935,770</u>	<u>29,832,625</u>	<u>6,204,247</u>
<u><u>7,642,088</u></u>	<u><u>2,755,096</u></u>	<u><u>34,337,941</u></u>	<u><u>6,894,192</u></u>

(Continued)

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2011

	<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)	\$ 5,639,994	476,442
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,124,659	430,009
Changes in assets and liabilities:		
Increase in accounts receivable, net	(207,674)	(6,199)
Increase in miscellaneous receivables	-	-
(Increase) decrease in due from other governments	-	-
(Increase) decrease in inventories	158,269	-
Increase (decrease) in accounts payable	(624,463)	20,150
Decrease in accrued payroll	(210,748)	(50,644)
Increase in due to other governments	121,618	-
Increase (decrease) in unearned revenue	(49,892)	-
Increase in customer deposits	65,885	-
Increase in insurance claims payable	-	-
Increase in other post-employment benefits	61,811	17,107
Increase (decrease) in compensated absences payable	66,638	4,050
Net cash provided by operating activities	\$ <u>11,146,097</u>	<u>890,915</u>

See accompanying notes to financial statements.

Stormwater Fund	Nonmajor funds	Total	Governmental Activities – Internal Service Funds
1,964,683	(237,329)	7,843,790	444,954
1,556,560	439,610	8,550,838	319,913
(57,064)	(44,489)	(315,426)	-
-	-	-	(3,424)
-	504	504	(2,433)
-	(3,721)	154,548	(1,631)
89,377	31,096	(483,840)	91,060
(19,457)	(30,246)	(311,095)	(61,928)
-	-	121,618	-
-	51,044	1,152	2,499
-	9,645	75,530	-
-	-	-	55,000
4,374	8,585	91,877	12,098
(34,077)	(3,480)	33,131	(31,855)
<u>3,504,396</u>	<u>221,219</u>	<u>15,762,627</u>	<u>824,253</u>

CITY OF NAPLES, FLORIDA

Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2011

	Pension Trust Funds	Agency Funds
Assets:		
Cash and investments	\$ 4,612,257	1,279
Contributions receivable	413,601	-
Investments, at fair value:		
Corporate bonds	12,560,599	-
U.S. Government securities	12,510,053	-
Common stock	53,581,589	-
Mortgage-backed securities	7,375,727	-
Mutual funds	5,485,218	-
Total investments	<u>91,513,186</u>	<u>-</u>
Total assets	<u>96,539,044</u>	<u>1,279</u>
Liabilities:		
Accounts payable	-	1,279
DROP payable	337,922	-
Deferred contributions	36,043	-
Total liabilities	<u>373,965</u>	<u>1,279</u>
Net assets:		
Held in trust for pension benefits and other purposes	<u>\$ 96,165,079</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, 2011

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employee contributions	\$ 1,711,153
Employer contributions	5,120,586
State contributions	1,319,318
Total contributions	<u>8,151,057</u>
Investment earnings:	
Interest and dividend income	2,253,539
Change in fair value of investments	(2,390,221)
Less investment expense	(539,687)
Net investment earnings	<u>(676,369)</u>
Total additions	<u>7,474,688</u>
Deductions:	
Benefits paid	6,095,174
Refunds of contributions	723,766
General administration	254,511
Total deductions	<u>7,073,451</u>
Change in net assets	401,237
Net assets—beginning of year	<u>95,763,842</u>
Net assets—end of year	<u>\$ 96,165,079</u>

See accompanying notes to financial statements.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

(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 pension and agency funds in a fiduciary capacity.

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

Blended component units. Moorings Bay Special Taxing District, East Naples Bay Special Taxing District and the Community Redevelopment Agency are blended component units of this reporting entity, because all districts are governed by Naples City Council. The two Special Taxing Districts were created and established by Ordinances No. 87-5328 and No. 87-5330, respectively, for the purpose of providing maintenance dredging in the channels and waterways within the area or boundary of the respective District, and to maintain necessary aids to navigation. Funds for the taxing districts are provided through an ad valorem tax that is levied only within these specified districts. Ordinance No. 94-7099 created the Community Redevelopment Agency for the rehabilitation, conservation or redevelopment of the designated district. The tax increment from both Collier County and the City provides the source of revenue for the Community Redevelopment Agency.

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

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

(B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The City reports the following major governmental funds:

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

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, State revenue sharing and road impact fees for the purpose of improving streets and traffic within the City.

The City reports the following major proprietary funds:

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

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

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

Additionally the City reports the following fund types:

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

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

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 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.

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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water/Sewer enterprise fund, Solid Waste enterprise fund, Stormwater enterprise fund, other nonmajor enterprise funds, and the City's internal service funds are charges to customers for sales and services. The Water/Sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(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 and consist of cash on hand, cash on deposit with financial institutions, and funds on deposit in the Local Government Surplus Trust Fund Investment Pool administered by the Florida State Board of Administration.

(b) Investments

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

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

(2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

(a) Advances to Other Funds

In governmental fund types, noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by nonspendable fund balance, which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

(b) Short-Term Interfund Receivables/Payables

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

(3) Inventories

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

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

(4) Restricted Assets

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 assets for debt service include the sinking funds and debt reserve accounts. The sinking funds are used to segregate resources accumulated for debt service payments over the next twelve months. The debt reserve accounts are used to report resources set aside to make up potential future deficiencies in the sinking fund. Restricted for renewal and replacement is used

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

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

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

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

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

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

(6) Compensated Absences

It is the City’s policy to allow employees to accumulate personal leave (sick and vacation) benefits. The liability relating to such unused leave, to the extent of certain vested maximum hours, is recorded in the accompanying statement of net 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.

(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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

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) Net Assets:

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

Invested in Capital Assets (net of related debt) – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets. This component does not include the portion of debt attributable to the unspent proceeds.

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

Unrestricted – This component consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” and “restricted”.

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

Fund Balance:

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

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

Restricted – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

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governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority which includes the city charter, ordinances and resolutions. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (city charter, ordinance and resolution) it employed previously to commit those amounts.

Assigned – This component consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the City Council, City Manager as established in the City’s Fund Balance Policy.

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

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

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

Fund Balance/Net Asset Policy:

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

In the General Fund, there shall be committed fund balance equal to 10% of the prior year’s General Fund Operating budget as an Emergency Reserve for recovery after catastrophic events such as a hurricane. In addition, the General Fund shall retain an unassigned fund balance of 16% to 30% of the prior year’s General Fund operating budget. In any fiscal year where the

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City is unable to fund the unassigned fund balance as required in this section, the City shall not budget any amount of unassigned fund balance for the purpose of balancing the budget.

(9) Administrative Fees

Certain administrative expenses are incurred by the General Fund on behalf of other funds of the City. The General Fund collects for these services based on a percentage of operating costs and personnel costs. The related reimbursements for these services are recorded as either an operating expense in the proprietary funds or as expenditure in the governmental funds. Such fees amounted to \$3,720,709 for fiscal year 2011, and included \$2,445,879 charged to enterprise funds, \$509,974 charged to internal service and fiduciary funds, and \$764,856 charged to the debt service fund, special revenue funds, and capital projects funds.

(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 includes a reconciliation between *total fund balances—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, compensated absences, and other post employment benefits are not due and payable in the current period, and therefore are not reported in the funds.” The details of this (\$20,030,133) difference are as follows:

Debt payable	\$ (17,867,000)
Less:	
Unamortized bond discount	10,297
Unamortized deferred loss on refunding	515,545
Other post employment benefits	(524,184)
Compensated absences	<u>(2,164,791)</u>
Net adjustment to reduce total fund balance—governmental funds to arrive at net assets—governmental activities.	<u>\$ (20,030,133)</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 \$2,030,171 difference are as follows:

Net pension assets	\$ 1,952,051
Unamortized bond issuance costs	<u>78,120</u>
Net adjustment to increase fund balance—governmental funds to arrive at net assets—governmental activities.	<u>\$ 2,030,171</u>

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(B) Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balance—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 (\$2,718,902) difference are as follows:

Capital outlay	\$ 2,830,919
Depreciation expense	<u>(5,549,821)</u>
Net adjustment to decrease net changes in fund balances— total governmental funds to arrive at change in net assets of governmental activities.	\$ <u><u>(2,718,902)</u></u>

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 (\$33,934) difference are as follows:

The statement of activities report losses arising from the trade-in or the disposal of existing capital assets. Conversely, governmental funds to not report any gain or loss on a trade-in or disposal of capital assets.	\$ <u>(33,934)</u>
Net adjustment to decrease net changes in fund balances— total governmental funds to arrive at change in net assets of governmental activities.	\$ <u><u>(33,934)</u></u>

Another element of that reconciliation states that “debt proceeds provide current financial resources to governmental funds, while the repayment of the debt principal is expenditure in governmental funds.” Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect

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of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$3,672,611 difference are as follows:

Debt issued:		
Note proceeds		\$ (17,094,000)
less issuance costs		72,613
Principal repayments:		
Bonds payable		4,775,000
Notes payable		7,633,000
Payment to escrow agent for refunding		<u>8,285,998</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>3,672,611</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 (\$846,325) difference are as follows:

Change in:		
Compensated absences		\$ 7,475
Other post employment benefits		(209,043)
Accrued interest		142,724
Net pension asset		(717,973)
Deferred loss on refunding		(37,723)
Bond issuance costs		(29,159)
Bond discounts		<u>(2,626)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities.		\$ <u><u>(846,325)</u></u>

(III) Stewardship, Compliance, and Accountability

(A) Budgetary Information

Annual budgets are adopted for the General, Special Revenue, Debt Service, and Capital Project Funds on a basis consistent with generally accepted accounting principles. The Improvement Fund, Public Arts Fund, 41-10 Public Open Space Fund, Parking Trust Fund, Impact Fee Fund, and Land Conservation Trust Fund are the only governmental funds excluded from the appropriation process.

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The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The budget process begins in February, 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, 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 restrict that portion of the applicable appropriation, is employed throughout the fiscal year as an operating tool for budgeted funds. Encumbrances outstanding at year end are reported as committed or assigned fund balance since they do not constitute expenditures or liabilities.

The City reported a negative budget variance in the Debt Service Fund in the amount of \$21,145. Available fund balance was used to cover this deficit.

(IV) Detailed Notes on All Funds

(A) *Cash and Investments*

On March 5, 2008, the City Council formally adopted a revised comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the City's cash and

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investment assets. The City maintains a common cash and investment pool for the use of all funds. In addition, several separate accounts are maintained for specialty purposes including debt service, capital projects and trust funds.

Cash and Cash Equivalents

Cash equivalents consist of money market accounts 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 in the amount of \$11,979,119 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 \$169,686 is reported at amortized cost and has a weighted average of 38 days to maturity as of September 30, 2011. Fund A is rated AAAM by Standard & Poors. 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 \$227,685 with a weighted average life of 4.82 years as of September 30, 2011. Fund B is not rated by any nationally recognized statistical rating agency.

Investment Portfolios

Investment holdings consist of an \$67,524,426 General Investment Portfolio and a \$91,513,186 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 (Money Market Mutual Funds), and Intergovernmental Investment Pools.

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

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As of September 30, 2011, the City had the following investments with effective durations presented in terms of years:

General Investment Portfolio

<u>Investment</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
United States Treasury Securities	\$ 46,377,151	0.88
United States Agency Securities	16,955,683	0.49
Corporate Bonds	1,166,875	1.14
Commercial Paper	1,474,635	-
Certificates of Deposit	1,550,082	0.70
Total	\$ <u>67,524,426</u>	0.78

Interest receivable on the City's investment portfolio amounted to \$141,458 as of September 30, 2011.

Pension Portfolio

<u>Investment</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
U.S. Government Securities	\$ 12,510,053	
Corporate Bonds	12,560,599	
Corporate Stocks	53,581,589	
Mortgage-backed Securities	7,375,727	
Mutual Funds	5,485,218	
Total	\$ <u>91,513,186</u>	3.92

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, 2011, the investment portfolio had an effective duration of 2.27 years. The chart below shows the City's investments by investment portfolio and their respective duration.

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Total Portfolio

<u>Cash and Investment Accounts</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
Cash	\$ 5,337,932	-
Cash with Fiscal Agent	143,916	-
Money Market	16,591,144	-
Local Government Surplus Funds Trust Fund ("SBA") - Fund A	169,686	0.10
Local Government Surplus Funds Trust Fund ("SBA") - Fund B	227,685	4.82
Investment Portfolio	67,524,426	0.78
Pension Portfolio	91,513,186	3.92
Total	\$ <u>181,507,975</u>	2.27

Liquidity Rate Risk

The City's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Unless matched to a specific cash flow requirement, such as a bond requirement, the City will not directly invest in securities maturing more than three years from the date of purchase.

Credit Risk

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

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

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

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

As of September 30, 2011, the City's investment securities in the general investment portfolio, valued at \$67,524,426, were individually rated AAA to AA by Standard & Poor's and Aaa to Aa2 by Moody's Investor Services.

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The City's cash and money market balances of \$22,072,992 were deposited in a qualified public depository, as required by Chapter 280, Florida Statutes.

The City's investment in the Local Government Surplus Funds Trust Fund ("LGIP") Fund A in the amount of \$169,686 is rated AAAM by Standard & Poors. The City's investment in the LGIP Fund B in the amount of \$227,685 is not rated by any nationally recognized statistical rating agency.

The portfolios also contain \$53,581,589 in equity securities, \$5,485,218 in mutual funds, and \$1,550,082 in certificates of deposit that are not rated.

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, 2011, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

Concentration of Credit Risk

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

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

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As of September 30, 2011, the City's Investment Portfolio had the following issuer concentration based on fair value:

General Concentration

Issuer	Fair Value	Percentage of Portfolio
Cash	\$ 5,337,700	6.23%
Cash with Fiscal Agent	143,916	0.17%
Money Market	11,979,119	14.03%
Local Government Surplus Funds Trust Fund ("SBA) - Fund A	169,686	0.20%
Local Government Surplus Funds Trust Fund ("SBA) - Fund B	227,685	0.27%
United States Treasury Securities	46,377,151	54.32%
United States Agency Securities	16,955,683	19.86%
Corporate Bonds	1,166,875	1.37%
Commercial Paper	1,474,635	1.73%
Certificates of Deposit	1,550,082	1.82%
Total	\$ 85,382,532	

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, 70% in domestic equity securities and 10% private real estate. The equity position in any one company shall not exceed 5% of the total portfolio at market value.

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As of September 30, 2011, the City's Pension Portfolio had the following issuer concentration based on fair value:

Pension Concentration

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Cash	\$ 232	0.00%
Money Market	4,612,025	4.80%
U.S. Government Securities	12,510,053	13.01%
Corporate Bonds	12,560,599	13.07%
Corporate Stocks	53,581,589	55.74%
Mortgage-backed Securities	7,375,727	7.67%
Mutual Funds	5,485,218	5.71%
Total	<u>\$ 96,125,443</u>	

Foreign Currency Risk

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

(B) Property Taxes

The City's property tax is levied each November 1, on the assessed value for all property located within the City. Assessed values are established by the Collier County Property Appraiser at fair values. At January 1, 2010, the assessed value of the principal taxing authority's property upon which the 2010-11 levy was based was \$15.0 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2011 was 1.1800 (\$1.18 per \$1,000 of assessed value). The voted debt service millage was 0.0395 (\$0.0395 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, 2010 of the dependent special districts, East Naples Bay and Moorings Bay, were \$397 million, and \$1,459 million, respectively. In addition to the City's millage rate and the voted debt service millage rate, 0.5000 (\$0.5000 per \$1,000 of assessed value) is added to the East Naples Bay dependent special district and 0.0252 (\$0.0252 per \$1,000 of assessed value) is added to the Moorings Bay dependent special district to finance capital projects for the fiscal year ended September 30, 2011. Total ad valorem taxes collected for the year ended September 30, 2011, aggregated \$17,872,322, net of cash discounts, of which \$16,518,624 was designated for general government services, \$556,250 for the Community Redevelopment agency, \$190,496 for East Naples Bay Taxing District, \$35,509 for the Moorings Bay Taxing District and \$571,443 for debt service on the general obligation debt.

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

The property owners' tax calendar is as follows:

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

For the 2010 tax roll year, the assessment roll was opened for collection on November 1, 2010, and discounts for payment prior to April 1, 2011, 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 2010 is included in the accompanying financial statements since such taxes are levied to finance expenditures of the subsequent period.

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(C) Receivables

Receivables at September 30, 2011, 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	\$ 462,268	-	-	626,065	38,726	1,127,059
Debt service	-	-	223,303	18	1	223,322
Capital projects	10	161,831	-	21,938	11,744	195,523
Community redevelopment	-	-	-	-	9,620	9,620
Streets and traffic	-	-	-	93,642	8,080	101,722
Nonmajor funds	6,084	-	-	34,552	16,057	56,693
Internal service	-	-	-	8,790	21,227	30,017
	<u>\$ 468,362</u>	<u>161,831</u>	<u>223,303</u>	<u>785,005</u>	<u>105,455</u>	<u>1,743,956</u>
Business type activities:						
Major funds:						
Water and sewer	\$ 5,393,221	114,029	-	1,000,000	21,436	6,528,686
Solid waste	922,176	-	-	-	8,508	930,684
Stormwater	710,688	-	-	152,525	9,080	872,293
Nonmajor funds	<u>133,070</u>	<u>-</u>	<u>-</u>	<u>136,055</u>	<u>9,716</u>	<u>278,841</u>
	<u>\$ 7,159,155</u>	<u>114,029</u>	<u>-</u>	<u>1,288,580</u>	<u>48,740</u>	<u>8,610,504</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, 2011, are as follows:

Water and sewer	\$ 37,204
Solid waste	<u>7,472</u>
	<u>\$ 44,676</u>

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(D) Capital Assets

Governmental Activities:

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2011, is as follows:

<u>Governmental activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated:				
Land	\$ 11,826,200	-	-	11,826,200
Construction in progress	231,380	1,039,372	(231,380)	1,039,372
Total capital assets not being depreciated	<u>12,057,580</u>	<u>1,039,372</u>	<u>(231,380)</u>	<u>12,865,572</u>
Capital assets being depreciated:				
Buildings	37,729,466	57,780	(70,688)	37,716,558
Improvements other than buildings	31,225,100	710,450	(45,706)	31,889,844
Infrastructure	31,111,712	513,278	-	31,624,990
Equipment	16,094,142	958,196	(1,029,188)	16,023,150
Total capital assets being depreciated	<u>116,160,420</u>	<u>2,239,704</u>	<u>(1,145,582)</u>	<u>117,254,542</u>
Less accumulated depreciation for:				
Buildings	(11,901,999)	(1,242,736)	49,103	(13,095,632)
Improvements other than buildings	(17,210,999)	(2,120,924)	38,855	(19,293,068)
Infrastructure	(19,459,180)	(948,215)	-	(20,407,395)
Equipment	(11,537,861)	(1,557,859)	1,023,094	(12,072,626)
Total accumulated depreciation	<u>(60,110,039)</u>	<u>(5,869,734)</u>	<u>1,111,052</u>	<u>(64,868,721)</u>
Total capital assets being depreciated, net	<u>56,050,381</u>	<u>(3,630,030)</u>	<u>(34,530)</u>	<u>52,385,821</u>
Total governmental capital assets, net	<u>\$ 68,107,961</u>	<u>(2,590,658)</u>	<u>(265,910)</u>	<u>65,251,393</u>

Depreciation expense was charged to the governmental activities as follows:

Governmental activities:	
General government	\$ 398,348
Public safety	1,005,551
Physical and economic environment	1,275,922
Transportation	1,352,148
Cultural and recreation	1,517,852
Internal service	<u>319,913</u>
Total depreciation expense - governmental activities	<u>\$ 5,869,734</u>

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Business-Type Activities:

A summary of changes in capital assets of business-type activities for the year ended September 30, 2011, is as follows:

Water and Sewer Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 1,731,983	-	-	1,731,983
Construction in progress	3,602,712	1,859,146	(1,645,720)	3,816,138
Total capital assets not being depreciated	<u>5,334,695</u>	<u>1,859,146</u>	<u>(1,645,720)</u>	<u>5,548,121</u>
Capital assets being depreciated:				
Buildings and utility plants	58,851,848	252,806	(39,694)	59,064,960
Improvements other than buildings	31,139,520	4,610,583	(1,260,723)	34,489,380
Infrastructure	62,286,419	419,753	(60,865)	62,645,307
Equipment	11,763,758	1,243,876	(477,084)	12,530,550
Total capital assets being depreciated	<u>164,041,545</u>	<u>6,527,018</u>	<u>(1,838,366)</u>	<u>168,730,197</u>
Less accumulated depreciation for:				
Buildings	(24,454,290)	(1,376,058)	38,008	(25,792,340)
Improvements other than buildings	(13,900,228)	(1,871,993)	1,247,059	(14,525,162)
Infrastructure	(38,216,124)	(1,702,357)	60,865	(39,857,616)
Equipment	(8,729,932)	(1,168,924)	447,122	(9,451,734)
Total accumulated depreciation	<u>(85,300,574)</u>	<u>(6,119,332)</u>	<u>1,793,054</u>	<u>(89,626,852)</u>
Total capital assets being depreciated, net	<u>78,740,971</u>	<u>407,686</u>	<u>(45,312)</u>	<u>79,103,345</u>
Water and sewer fund capital assets, net	\$ <u>84,075,666</u>	<u>2,266,832</u>	<u>(1,691,032)</u>	<u>84,651,466</u>

Solid Waste Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 1,145,053	-	-	1,145,053
Total capital assets not being depreciated	<u>1,145,053</u>	<u>-</u>	<u>-</u>	<u>1,145,053</u>
Capital assets being depreciated:				
Buildings and utility plants	528,790	-	-	528,790
Improvements other than buildings	917,933	-	(40,675)	877,258
Equipment	2,968,830	122,327	(59,111)	3,032,046
Total capital assets being depreciated	<u>4,415,553</u>	<u>122,327</u>	<u>(99,786)</u>	<u>4,438,094</u>
Less accumulated depreciation for:				
Buildings	(257,930)	(27,463)	-	(285,393)
Improvements other than buildings	(798,286)	(45,661)	37,516	(806,431)
Equipment	(1,670,542)	(356,885)	57,832	(1,969,595)
Total accumulated depreciation	<u>(2,726,758)</u>	<u>(430,009)</u>	<u>95,348</u>	<u>(3,061,419)</u>
Total capital assets being depreciated, net	<u>1,688,795</u>	<u>(307,682)</u>	<u>(4,438)</u>	<u>1,376,675</u>
Solid waste fund capital assets, net	\$ <u>2,833,848</u>	<u>(307,682)</u>	<u>(4,438)</u>	<u>2,521,728</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

<u>Stormwater 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	\$ 234,866	-	-	234,866
Total capital assets not being depreciated	<u>234,866</u>	<u>-</u>	<u>-</u>	<u>234,866</u>
Capital assets being depreciated:				
Infrastructure	18,745,196	1,425,625	-	20,170,821
Equipment	279,753	26,402	-	306,155
Total capital assets being depreciated	<u>19,024,949</u>	<u>1,452,027</u>	<u>-</u>	<u>20,476,976</u>
Less accumulated depreciation for:				
Infrastructure	(6,782,310)	(1,527,760)	-	(8,310,070)
Equipment	(135,020)	(28,800)	-	(163,820)
Total accumulated depreciation	<u>(6,917,330)</u>	<u>(1,556,560)</u>	<u>-</u>	<u>(8,473,890)</u>
Total capital assets being depreciated, net	<u>12,107,619</u>	<u>(104,533)</u>	<u>-</u>	<u>12,003,086</u>
Stormwater fund capital assets, net	<u>\$ 12,342,485</u>	<u>(104,533)</u>	<u>-</u>	<u>12,237,952</u>
<u>Nonmajor Funds</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets being depreciated:				
Buildings and utility plants	\$ 1,918,946	-	-	1,918,946
Improvements other than buildings	6,776,882	7,656	(82,698)	6,701,840
Equipment	1,153,621	53,716	(13,121)	1,194,216
Total capital assets being depreciated	<u>9,849,449</u>	<u>61,372</u>	<u>(95,819)</u>	<u>9,815,002</u>
Less accumulated depreciation for:				
Buildings	(1,246,186)	(65,100)	-	(1,311,286)
Improvements other than buildings	(5,889,458)	(265,207)	82,698	(6,071,967)
Equipment	(927,584)	(109,303)	12,486	(1,024,401)
Total accumulated depreciation	<u>(8,063,228)</u>	<u>(439,610)</u>	<u>95,184</u>	<u>(8,407,654)</u>
Total capital assets being depreciated, net	<u>1,786,221</u>	<u>(378,238)</u>	<u>(635)</u>	<u>1,407,348</u>
Nonmajor fund capital assets, net	<u>\$ 1,786,221</u>	<u>(378,238)</u>	<u>(635)</u>	<u>1,407,348</u>
Total business-type capital assets, net	<u>\$ 101,038,220</u>	<u>1,476,379</u>	<u>(1,696,105)</u>	<u>100,818,494</u>

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

Business-type activities:	
Water and sewer	\$ 6,119,332
Solid waste	430,009
Stormwater	1,556,560
Other	<u>439,610</u>
Total depreciation expense - business-type activities	<u>\$ 8,545,511</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

(E) Interfund Transactions

Individual fund interfund receivable and payable balances at September 30, 2011, are as follows:

	<u>Interfund receivable</u>	<u>Interfund payable</u>
Governmental activities:		
Major fund:		
General	\$ 25,394	-
Nonmajor funds:		
Grants Fund	-	25,394
	<u>\$ 25,394</u>	<u>25,394</u>

Interfund receivables and payables generally represent recurring activities between funds as well as temporary deficit cash balances.

Advances from/to other funds are as follows:

	<u>Advances receivable</u>	<u>Advances payable</u>
Governmental activities:		
Major funds:		
General	\$ 107,621	-
Capital projects	38,163	-
Community redevelopment	-	200,642
Streets and traffic	54,858	-
	<u>\$ 200,642</u>	<u>200,642</u>

Advances to other funds represent funds of the community redevelopment fund used to construct certain infrastructure improvements and will be repaid according to a set schedule. Advances expected to be repaid within one year are \$200,642.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

Transfers during the year ended September 30, 2011, consisted of the following:

	Transfers in	Transfers out
Governmental activities:		
Major funds:		
General	\$ 2,040,000	66,383
Debt service	1,067,533	2,330,015
Capital projects	2,583,720	44,840
Community redevelopment	13,883	1,067,533
Nonmajor fund:		
Improvement	-	253,705
Internal service fund:		
Technology services	44,840	-
Business-type activities:		
Major funds:		
Water and sewer	-	1,668,000
Solid waste	-	372,000
Nonmajor fund:		
Tennis	52,500	-
	\$ 5,802,476	5,802,476

Transfers into the General Fund in the amount of \$2,040,000 were payments in-lieu of taxes from the Water and Sewer Fund and Solid Waste Fund. The transfer into the Debt Service Fund in the amount of \$1,067,533 from the Community Redevelopment Fund was for debt service payments. The transfer into the Capital Projects Fund from the Debt Service Fund in the amount of \$2,330,015 was utility tax revenues used for capital expenditures, and the transfer from the Improvement Fund in the amount of \$253,705 was private donations for the construction of a dog park. The transfer from the Capital Projects Fund into the Technology Services Fund in the amount of \$44,840 was used for capital expenditures. The transfer from the General Fund into the Tennis Fund in the amount of \$52,500 was to help defer costs when members could not use the facility due to tournaments and public events, and the transfer into the Community Redevelopment Fund in the amount of \$13,883 was to defer the cost of administration.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

(F) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2011, 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	\$ 693,506	474,749	1,168,255
Debt service	31,137	-	31,137
Capital projects	140,731	-	140,731
Community redevelopment	16,135	15,040	31,175
Streets and traffic	478,581	11,918	490,499
Nonmajor funds	658,298	30,852	689,150
Internal service	223,908	31,984	255,892
	<u>\$ 2,242,296</u>	<u>564,543</u>	<u>2,806,839</u>
Business-type activities:			
Major funds:			
Water and sewer	\$ 1,832,556	125,824	1,958,380
Solid waste	241,657	28,561	270,218
Stormwater	332,961	7,962	340,923
Nonmajor funds	72,040	18,760	90,800
	<u>\$ 2,479,214</u>	<u>181,107</u>	<u>2,660,321</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

(G) Long-Term Obligations

Long-term liabilities of the governmental activities at September 30, 2011, are comprised of the following:

Capital Improvement Revenue Refunding Revenue Note, Series 2010, issued in the amount of \$17,394,000 for refunding the Series 2001 Public Service Tax Revenue Bonds, Series 2003 Redevelopment Revenue and Refunding Bonds, and Series 2008 Capital Improvement Revenue Note, due in monthly installments of \$78,000 to \$229,000 through December 1, 2021. Non-ad valorem revenues are pledged to secure this issue. Interest rate is 2.18%.	\$ 15,662,000
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 \$495,000 to \$590,000 through March 1, 2015. Ad valorem taxes are pledged to secure this issue. Interest rate is 3.84%.	2,205,000
Unamortized deferred loss on refunding	(515,545)
Unamortized issuance discounts	(10,297)
Claims payable	2,963,000
Other post-employment benefits payable	554,168
Compensated absences payable	<u>2,306,355</u>
	<u>\$ 23,164,681</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

Changes in long-term obligations for governmental activities for the year ended September 30, 2011, are as follows:

Governmental Activities	Balance October 1	Additions	Retired	Balance September 30	Due in One Year
Debt payable:					
2004 General Obligation Bonds	\$ 2,700,000	-	(495,000)	2,205,000	515,000
2001 Public Service Tax Revenue Bonds	7,895,000	-	(7,895,000)	-	-
2003 Redevelopment Revenue and Refunding Bonds	4,280,000	-	(4,280,000)	-	-
2008 Capital Improvement Note	6,201,000	-	(6,201,000)	-	-
2010 Capital Improvement Refunding Revenue Note	-	17,094,000	(1,432,000)	15,662,000	1,329,000
	<u>21,076,000</u>	<u>17,094,000</u>	<u>(20,303,000)</u>	<u>17,867,000</u>	<u>1,844,000</u>
Less: deferred loss on refunding	-	(553,268)	37,723	(515,545)	(50,297)
Less: unamortized discounts	(69,771)	-	59,474	(10,297)	(2,626)
Total debt payable	<u>21,006,229</u>	<u>16,540,732</u>	<u>(20,205,803)</u>	<u>17,341,158</u>	<u>1,791,077</u>
Claims payable	2,908,000	5,992,827	(5,937,827)	2,963,000	981,000
Other post-employment benefits payable	333,027	426,369	(205,228)	554,168	-
Compensated absences payable	<u>2,345,685</u>	<u>345,180</u>	<u>(384,510)</u>	<u>2,306,355</u>	<u>353,951</u>
Total	<u>\$ 26,592,941</u>	<u>23,305,108</u>	<u>(26,733,368)</u>	<u>23,164,681</u>	<u>3,126,028</u>

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

Governmental Activities:

	Principal	Interest	Total
Year ended September 30:			
2012	\$ 1,844,000	403,022	2,247,022
2013	1,899,000	353,507	2,252,507
2014	1,961,000	302,327	2,263,327
2015	2,027,000	249,336	2,276,336
2016	1,501,000	206,197	1,707,197
2017-2021	7,959,000	515,085	8,474,085
2022-2023	<u>676,000</u>	<u>2,465</u>	<u>678,465</u>
	<u>\$ 17,867,000</u>	<u>2,031,939</u>	<u>19,898,939</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 \$141,564 in compensated absences, \$2,963,000 in claims payable, and \$29,984 in other post-employment benefits reported in the internal service funds are included in the above amounts. The compensated absences balances are made up by the following funds: General Fund \$1,924,622, Building Fund \$99,642, Community Redevelopment Fund \$20,919, Streets and Traffic Fund \$119,608, and internal service funds \$141,564.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

Long-term liabilities of the business-type activities at September 30, 2011 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.	\$ 8,465,716
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.	4,913,245
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%.	12,530,082
Unamortized issuance discounts	(26,840)
Other post-employment benefits payable	153,675
Compensated absences payable	<u>547,974</u>
Total water and sewer fund	<u>\$ 26,583,852</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

Solid Waste Fund:

Other post-employment benefits payable	\$	39,682
Compensated absences payable		<u>126,408</u>
Total solid waste fund	\$	<u><u>166,090</u></u>

Stormwater Fund:

State of Florida Revolving Loan Funds issued in the amount of \$4,830,210 for improvements to the City's stormwater system, principal and interest payable in equal semi-annual installments of \$127,886 for a period of twenty (20) years until final maturity on June 15, 2021, with interest of 3.03%. The principal and interest is secured by net revenues of the stormwater utility system, including investment income.

	\$	2,192,383
Other post-employment benefits payable		11,270
Compensated absences payable		<u>24,367</u>
Total stormwater fund	\$	<u><u>2,228,020</u></u>

Nonmajor funds:

Capital Improvement Revenue Refunding Revenue Note, Series 2010, issued in the amount of \$300,000 for refunding the Series 2001 Public Service Tax Revenue Bonds, due in monthly installments of \$5,000 through December 1, 2015. Non-ad valorem revenues are pledged to secure this issue. Interest rate is 2.18%.

		255,000
Other post-employment benefits payable		20,683
Compensated absences payable		<u>63,748</u>
Total nonmajor funds	\$	<u><u>339,431</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

Changes in long-term obligations for business-type activities for the year ended September 30, 2011, are as follows:

<u>Business-Type Activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30</u>	<u>Due in One Year</u>
Debt payable:					
Public Utilities Revenue Bond, Series 2007A	\$ 8,844,082	-	(378,366)	8,465,716	392,895
Public Utilities Refunding Revenue Bond, Series 2007B	5,137,199	-	(223,954)	4,913,245	232,061
Water and Sewer - State Revolving Funds	14,065,564	-	(1,535,482)	12,530,082	1,578,224
Stormwater - State Revolving Fund	2,377,508	-	(185,125)	2,192,383	190,777
Public Service Tax Revenue Refunding, Series 2001	300,000	-	(300,000)	-	-
2010 Capital Improvement Refunding Revenue Note	-	300,000	(45,000)	255,000	60,000
	<u>30,724,353</u>	<u>300,000</u>	<u>(2,667,927)</u>	<u>28,356,426</u>	<u>2,453,957</u>
Less: unamortized discounts	(28,517)	-	1,677	(26,840)	(1,677)
Total debt payable	<u>30,695,836</u>	<u>300,000</u>	<u>(2,666,250)</u>	<u>28,329,586</u>	<u>2,452,280</u>
Other post-employment benefits payable	133,433	186,392	(94,515)	225,310	-
Compensated absences payable	729,366	215,027	(181,896)	762,497	147,716
Total	<u>\$ 31,558,635</u>	<u>701,419</u>	<u>(2,942,661)</u>	<u>29,317,393</u>	<u>2,599,996</u>

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

In accordance with bond covenants and Section 148 of the Internal Revenue Code, the City is required to rebate to the U.S. Treasury, every five years, arbitrage earnings on bond proceeds in excess of the bond yield. For the fiscal year ending September 30, 2011, no amounts were earned that will have to be rebated.

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

Water and Sewer Fund:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended September 30:			
2012	\$ 2,203,180	840,421	3,043,601
2013	2,270,609	772,992	3,043,601
2014	2,340,155	703,446	3,043,601
2015	2,411,887	631,714	3,043,601
2016	2,485,876	557,726	3,043,602
2017-2021	8,161,176	1,779,051	9,940,227
2022-2026	4,949,132	768,584	5,717,716
2027	1,087,028	40,872	1,127,900
	<u>\$ 25,909,043</u>	<u>6,094,806</u>	<u>32,003,849</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

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

Stormwater Fund:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended September 30:			
2012	\$ 190,777	64,995	255,772
2013	196,601	59,171	255,772
2014	202,603	53,169	255,772
2015	208,789	46,983	255,772
2016	215,163	40,609	255,772
2017-2021	1,178,450	100,408	1,278,858
	<u>\$ 2,192,383</u>	<u>365,335</u>	<u>2,557,718</u>

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

Nonmajor Enterprise Funds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended September 30:			
2012	\$ 60,000	4,960	64,960
2013	60,000	3,652	63,652
2014	60,000	2,344	62,344
2015	60,000	1,036	61,036
2016	15,000	55	15,055
	<u>\$ 255,000</u>	<u>12,047</u>	<u>267,047</u>

Legal Debt Margin – Neither Florida Statutes or the City’s Charter or Code 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 fiscal year ended September 30, 2011.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

Defeased Debt

On December 2, 2010, the City issued a \$17,394,000 Capital Improvement Revenue Note, Series 2010 with an interest rate of 2.18% to current refund the Series 2003 Redevelopment Revenue and Refunding Bonds and Series 2008 Capital Improvement Note, and to advance refund the Series 2001 Public Service Tax Revenue Bonds. The net proceeds and an additional \$1,522,089 of sinking funds and reserves were used to pay off the Series 2003 bonds and Series 2008 note and purchase U.S. government securities deposited in an irrevocable trust with an escrow agent to provide for the future payoff of the Series 2001 bonds in July 2011.

The refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$553,268. This difference, reported in the accompanying financial statements as a deduction from debt payable, is being charged to operations through the year 2022 using the effective interest method. The City completed the refunding to reduce its total debt service payments and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2 million.

The following issue was defeased in a prior year for accounting and financial reporting purposes, thus the liability for these bonds is not reported in the financial statements. The amount of bonds that remain outstanding is as follows:

	Defeased bonds outstanding
Water and Sewer Refunding Revenue Bonds, Series 2002	\$ <u>4,800,000</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

(H) Fund Equity

The following is a summary of fund balances for the governmental funds as of September 30, 2011:

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Community redevelopment</u>	<u>Streets and traffic</u>	<u>Other nonmajor governmental</u>	<u>Total</u>
Fund balances:							
Nonspendable:							
Inventory	\$ -	-	-	-	28,441	-	28,441
Prepaid items	42,843	-	-	-	-	-	42,843
Advances to other funds	107,621	-	38,163	-	54,858	-	200,642
	<u>150,464</u>	<u>-</u>	<u>38,163</u>	<u>-</u>	<u>83,299</u>	<u>-</u>	<u>271,926</u>
Restricted:							
Donations - Various	-	-	-	-	-	186,782	186,782
Impact fees	-	-	-	-	-	230,601	230,601
Debt service	-	138,453	-	-	-	-	138,453
Sabal bay litigation	13,791	-	-	-	-	-	13,791
Transportation	-	-	-	-	4,201,743	-	4,201,743
Police programs	-	-	-	-	-	171,635	171,635
Economic development	-	-	-	3,116,863	-	-	3,116,863
Building permits	-	-	-	-	-	4,927,707	4,927,707
	<u>13,791</u>	<u>138,453</u>	<u>-</u>	<u>3,116,863</u>	<u>4,201,743</u>	<u>5,516,725</u>	<u>12,987,575</u>
Committed:							
Public arts program	-	-	-	-	-	55,888	55,888
Emergency reserve	3,447,889	-	-	-	-	-	3,447,889
Capital projects	-	-	-	-	-	-	-
Contracts	39,298	-	853,127	-	-	-	892,425
Handicap accessibility	41,701	-	-	-	-	-	41,701
Economic development	-	-	-	-	-	512,719	512,719
Land conservation	-	-	-	-	-	765,415	765,415
Dredging projects	-	-	-	-	-	1,741,836	1,741,836
	<u>3,528,888</u>	<u>-</u>	<u>853,127</u>	<u>-</u>	<u>-</u>	<u>3,075,858</u>	<u>7,457,873</u>
Assigned:							
Debt service	-	1,298,941	-	-	-	-	1,298,941
Encumbrances	46,284	-	-	-	-	-	46,284
Economic development	-	-	-	-	-	5,636	5,636
Construction	-	-	5,410,870	-	-	-	5,410,870
	<u>46,284</u>	<u>1,298,941</u>	<u>5,410,870</u>	<u>-</u>	<u>-</u>	<u>5,636</u>	<u>6,761,731</u>
Unassigned	<u>15,508,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,508,265</u>
Total fund balance	\$ <u>19,247,692</u>	<u>1,437,394</u>	<u>6,302,160</u>	<u>3,116,863</u>	<u>4,285,042</u>	<u>8,598,219</u>	<u>42,987,370</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

(I) Employee Pension Plans

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

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 11-12951. The Plan ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report.

The payroll for employees covered by the plan, the government's total payroll for the year ended September 30, 2011, and current membership as of October 1, 2011, the date of the most recent actuarial valuation, is as follows:

General pension plan:	
Covered payroll for the year ended September 30, 2011	\$ 15,027,747
Covered payroll as a percentage of the City's total payroll of \$23,684,507	63.5%
Retirees and beneficiaries currently receiving benefits	222
Vested terminated employees	19
DROP employees	1
Active employees:	
Fully vested	175
Nonvested	109

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

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

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

The 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 using the “economic resources” measurement focus and the accrual basis of accounting. Plan member contributions and employer contributions are recognized in the period in which contributions are due. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Plan assets are valued at fair value for financial statement purposes.

As of September 30, 2011, 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, 2011, there was no investment type or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

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

The Plan’s funding policy requires employees to contribute not less than 5% of compensation to the Plan on a pre-tax basis, or 3% for employees hired after September 30, 2011. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all Plan expenses. Significant actuarial

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

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 actuarial required contribution for fiscal year ending September 30, 2011, was determined in accordance with the October 1, 2009, actuarial valuation. The Plan is valued under the entry age normal cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 30 years. Investment earnings are assumed at 7.5% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 4.5-10% each year, and include an inflation rate of 3%. The actuarial value of assets is developed using a five year smoothing market value return on the valuation date. The gains/losses are phased in 20% per year, up to 100% after 5 years. The Plan does not provide for a postretirement benefit.

As of the most recent actuarial valuation dated October 1, 2011, the funded status of the plan is as follows:

**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
10/01/11	\$ 40,504	56,408	15,904	72%	15,028	106%

The schedule of funding progress included as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

General - Three Year Trend Information

<u>Year ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/11	\$ 2,395,397	97.5%	(962,338)
09/30/10	2,124,650	97.1%	(1,023,428)
09/30/09	1,932,075	107.9%	(1,084,494)

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Required Contributions (ARC)	\$ 2,334,307	2,063,584	1,881,902
Interest on Net Pension Obligation (NPO)	(76,757)	(81,337)	(74,621)
Adjustment to ARC	137,847	142,403	124,794
Annual Pension Cost (APC)	2,395,397	2,124,650	1,932,075
Contributions made	2,334,307	2,063,584	2,083,810
Increase (decrease) in NPO	61,090	61,066	(151,735)
NPO at beginning of year	(1,023,428)	(1,084,494)	(932,759)
NPO at end of year	\$ <u>(962,338)</u>	<u>(1,023,428)</u>	<u>(1,084,494)</u>

Ordinance 11-12951, adopted and effective September 21, 2011, reduced benefits for credited service after September 30, 2011. The details of these changes have been disclosed above. There have been no changes in assumptions or methods since the prior actuarial valuation.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

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 10-12678. 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, the government's total payroll for the year ended September 30, 2011, and current membership as of October 1, 2011, the date of the most recent actuarial valuation is as follows:

Police pension plan:	
Covered payroll for the year ended September 30, 2011	\$ 5,016,274
Covered payroll as a percentage of the City's total payroll of \$23,684,507	21.2%
Retirees and beneficiaries currently receiving benefits	55
Vested terminated employees	12
Active employees:	
Fully vested	53
Nonvested	16

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

<u>Benefits</u>	<u>Vesting</u>
Normal retirement is age 50 with 5 years of credited service or 25 years of credited service regardless of age. Benefits are 3.63% of average final compensation (AFC) times years of service. Early retirement is at age 45 or completion of 20 years of credited service. The early retirement benefit is reduced 3% for each year prior to normal retirement.	100% after five years of credited service; 0% prior to that.

The system also provides disability and survivor benefits.

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Notes to Financial Statements

September 30, 2011

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 using the "economic resources" measurement focus and the accrual basis of accounting. Plan member contributions, employer contributions, and contributions from other entities are recognized in the period in which contributions are due. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Plan assets are valued at fair value for financial statement purposes.

As of September 30, 2011, 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, 2011, 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 expenses. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from 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, 2011 was \$553,720. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The actuarial required contribution for fiscal year ending was determined in accordance with the October 1, 2009, actuarial valuation. The Plan is valued under the entry age normal cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 30 years. Investment rate of return is assumed at 7.5% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 4.5-10% each year, and include an inflation rate of 3%. The actuarial value of assets is developed using a five year smoothing market value return on the valuation date. The gains/losses are phased in 20% per year, up to 100% after 5 years. The plan provides for post retirement benefit increases of 3% per year at ages 55 to 62.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

As of the most recent actuarial valuation dated October 1, 2011, the funded status of the plan is as follows:

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/01/11	\$ 31,260	57,751	26,491	54%	5,016	528%

The schedule of funding progress included as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Police - Three Year Trend Information

<u>Year ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/11	\$ 2,149,906	97.7%	(579,562)
09/30/10	2,199,807	98.1%	(629,781)
09/30/09	1,884,145	101.7%	(671,038)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Required Contributions (ARC)	\$ 2,099,687	2,158,550	1,850,214
Interest on Net Pension Obligation (NPO)	(47,234)	(50,328)	(51,059)
Adjustment to ARC	<u>97,453</u>	<u>91,585</u>	<u>84,990</u>
Annual Pension Cost (APC)	2,149,906	2,199,807	1,884,145
Contributions made	<u>2,099,687</u>	<u>2,158,550</u>	<u>1,916,941</u>
Increase (decrease) in NPO	50,219	41,257	(32,796)
NPO at beginning of year	<u>(629,781)</u>	<u>(671,038)</u>	<u>(638,242)</u>
NPO at end of year	<u>\$ (579,562)</u>	<u>(629,781)</u>	<u>(671,038)</u>

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

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 10-12807. 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. A stop/restart provision has been implemented and the City may use up to \$1,668,662 each year to offset its cost for the existing benefits. 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, 2011

The payroll for employees covered by the Plan and the government’s total payroll for the year ended, and current membership as of October 1, 2011, the date of the most recent actuarial valuation, is as follows:

Firefighters’ pension plan:	
Covered payroll for the year ended September 30, 2011	\$ 3,640,486
Covered payroll as a percentage of the City’s total payroll of \$23,684,507	15.4%
Retirees and beneficiaries currently receiving benefit (includes 1 disability)	29
Vested terminated employees	6
Active employees:	
Fully vested	42
Nonvested	10

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

<u>Benefits</u>	<u>Vesting</u>
Normal retirement at age 55 with 5 years of credited service, age 50 with 20 years of credited service, or the completion of 25 years of credited service regardless of age. Benefits are 4% of average final compensation (AFC) times years of service. Early retirement is at age 50; benefits are 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 survivor benefits.

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 using the “economic resources” measurement focus and the accrual basis of accounting. Plan member contributions, employer contributions, and contributions from other entities are recognized in the period in which contributions are due. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Plan assets are valued at fair value for financial statement purposes.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

As of September 30, 2011, 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, 2011, 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 expenses. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from Plan assets. The 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, 2011, was \$765,598. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The actuarial required contribution for fiscal year ending September 30, 2011, was determined in accordance with the October 1, 2009, actuarial valuation. The Plan is valued under the entry age normal cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 30 years. Investment earnings are assumed at 7.5% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 4.5-10% each year, and include an inflation rate of 3%. The actuarial value of assets is developed using a five year smoothing market value return on the valuation date. The gains/losses are phased in 20% per year, up to 100% after 5 years. The plan does provide for post-retirement benefit increases of 3.0% per year beginning at the age of 50 for retirements after June 30, 2005.

As of the most recent actuarial valuation dated October 1, 2011, the funded status of the plan is as follows:

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/01/11	\$ 29,408	51,166	21,759	57%	3,640	598%

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

The schedule of funding progress included as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Fire - Three Year Trend Information

<u>Year ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/11	\$ 2,462,427	99.2%	(410,151)
09/30/10	2,587,003	99.6%	(428,663)
09/30/09	2,008,571	99.5%	(439,225)

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Required Contributions (ARC)	\$ 2,443,915	2,576,441	1,998,487
Interest on Net Pension Obligation (NPO)	(32,150)	(32,942)	(33,698)
Adjustment to ARC	50,662	43,504	43,782
Annual Pension Cost (APC)	2,462,427	2,587,003	2,008,571
Contributions made	2,443,915	2,576,441	1,998,487
Increase (decrease) in NPO	18,512	10,562	10,084
NPO at beginning of year	(428,663)	(439,225)	(449,309)
NPO at end of year	\$ <u>(410,151)</u>	<u>(428,663)</u>	<u>(439,225)</u>

Ordinance 10-12807, adopted November 3, 2010, effectively incorporated a supplemental “13th check” retirement benefit and a supplemental “share plan” retirement benefit into the Plan.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

The “13th check” retirement benefit was provided to all firefighter retirees who retired prior to or on March 31, 2011, and was paid as a one-time supplemental retirement benefit. The funding of this additional benefit came from the accrued Excess State Monies Reserve, as of October 1, 2010.

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

There have been no assumption or methodology changes since the prior actuarial valuation.

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, 2011:

Statements of Fiduciary Net Assets

	<u>General Pension Fund</u>	<u>Police Officers' Pension Fund</u>	<u>Firefighters' Pension Fund</u>
Assets:			
Cash and investments	\$ 1,653,390	1,545,241	1,413,626
Contributions receivable	130,585	-	283,016
Investments, at fair value:			
Corporate bonds	4,700,054	4,014,351	3,846,194
U.S. Government securities	4,691,144	3,947,988	3,870,921
Common stock	21,937,016	16,225,566	15,419,007
Mortgage-backed securities	2,778,532	2,340,319	2,256,876
Mutual funds	-	-	-
Total investments	<u>34,106,746</u>	<u>26,528,224</u>	<u>25,392,998</u>
Total assets	<u>35,890,721</u>	<u>28,073,465</u>	<u>27,089,640</u>
Liabilities:			
DROP payable	337,922	-	-
Deferred contribution	-	36,043	-
Total liabilities	<u>337,922</u>	<u>36,043</u>	<u>-</u>
Net assets:			
Held in trust for pension benefits	\$ <u><u>35,552,799</u></u>	<u><u>28,037,422</u></u>	<u><u>27,089,640</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

Statements of Changes in Fiduciary Net Assets

	<u>General Pension Fund</u>	<u>Police Officers' Pension Fund</u>	<u>Firefighters' Pension Fund</u>
Additions:			
Contributions:			
Employee contributions	\$ 900,949	260,895	191,783
Employer contributions	2,338,849	1,545,967	997,835
Direct state contributions	-	553,720	765,598
Total contributions	<u>3,239,798</u>	<u>2,360,582</u>	<u>1,955,216</u>
Investment earnings:			
Interest and dividend income	877,914	687,378	646,856
Net change in fair value of investments	(991,509)	(616,538)	(718,206)
Less investment expense	<u>(215,487)</u>	<u>(156,949)</u>	<u>(151,810)</u>
Net investment earnings	<u>(329,082)</u>	<u>(86,109)</u>	<u>(223,160)</u>
Total additions	<u>2,910,716</u>	<u>2,274,473</u>	<u>1,732,056</u>
Deductions:			
Benefits paid	2,663,237	2,211,654	1,220,283
Refunds of contributions	259,596	24,343	58,056
General administration	132,006	70,007	52,498
Total deductions	<u>3,054,839</u>	<u>2,306,004</u>	<u>1,330,837</u>
Changes in net assets	<u>(144,123)</u>	<u>(31,531)</u>	<u>401,219</u>
Net assets - beginning of year	<u>35,696,922</u>	<u>28,068,953</u>	<u>26,688,421</u>
Net assets - end of year	\$ <u><u>35,552,799</u></u>	<u><u>28,037,422</u></u>	<u><u>27,089,640</u></u>

(J) 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 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, 2011

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, 2011, there were 170 active Plan members. The City's contribution for the year was \$194,523. Covered payroll for the year ended September 30, 2011, was \$9,726,150. Contributions and earnings are returned to participants upon retirement or termination. Employee contributions were \$290,671 for the year ended September 30, 2011.

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

All investments are reported at their fair value. All investments are directed by Plan participants, including the nonvested 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 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's or entity's financial report. Membership is voluntary and includes all full-time employees whose service to the city is rendered on a contractual or fee basis except the city attorney. Employee and employer contributions are 100% vested immediately.

The Plan is a defined contribution plan. Plan members are required to contribute 3% of annual base pay to the Plan and the City is required to contribute 7% of the employee's annual base pay. Plan provision and contribution requirements are established and may be amended by the City Council. The plan falls under IRC Code Section 401(a) (17) and IRC 414(s) rules. The City Manager participates in a separate plan requiring employee contributions of 25%.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

As of September 30, 2011, there were five active Plan members and four retired and terminated members who have maintained account balances. The City's contribution for the year was \$43,412. Covered payroll for the year ended September 30, 2011, was \$813,166. Employee contributions were \$66,855 for the year ended September 30, 2011.

The 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, 2011:

Statements of Fiduciary Net Assets

	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>
Assets:		
Investments, at fair value:		
Mutual funds	\$ 4,866,720	618,498
Total investments	<u>4,866,720</u>	<u>618,498</u>
Total assets	<u>4,866,720</u>	<u>618,498</u>
Net assets:		
Held in trust for pension benefits	\$ 4,866,720	618,498
	<u> </u>	<u> </u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

Statements of Changes in Fiduciary Net Assets

	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employee contributions	\$ 290,671	66,855
Employer contributions	194,523	43,412
Total contributions	<u>485,194</u>	<u>110,267</u>
Investment earnings:		
Interest and dividend income	39,602	1,789
Net change in fair value of investments	(76,792)	12,824
Less investment expense	<u>(14,939)</u>	<u>(502)</u>
Net investment earnings	<u>(52,129)</u>	<u>14,111</u>
Total additions	<u>433,065</u>	<u>124,378</u>
Deductions:		
Refunds of contributions	<u>227,576</u>	<u>154,195</u>
Total deductions	<u>227,576</u>	<u>154,195</u>
Changes in net assets	205,489	(29,817)
Net assets – beginning of year	<u>4,661,231</u>	<u>648,315</u>
Net assets – end of year	\$ <u><u>4,866,720</u></u>	<u><u>618,498</u></u>

(K) Other post employment benefits

Plan Description. The Post employment Benefits Plan is a single-employer defined benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees and eligible dependents who retire from the City may continue to participate in the City's self-funded health and hospitalization plans for medical and prescription drug coverage, as well as participate in the life insurance group plan. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plans at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Retirees who are eligible for Medicare are in a stand-alone plan with no cost to the employer. The Post employment Health Care Benefits Plan does not issue a stand-alone financial report.

As of October 1, 2009, there were 26 retirees and eligible dependents receiving post employment health care benefits along with 165 retirees participating in life insurance benefits.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

Funding Policy – Contribution requirements for the Post employment Benefits Plan of the City are established and may be amended through recommendations of the Insurance Committee and action from the City Council. The City has not advance-funded or established a funding methodology for the annual other post employment benefit (OPEB) costs or the net OPEB obligation. For the 2010-11 fiscal year the City provided required contributions of \$287,502 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance payments, net of retiree contributions totaling \$209,405. Required contributions are based on a projected pay-as-you-go basis.

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

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2009 * \$	-	6,690	6,690	0%	23,317	29%

* After benefit changes

The schedule of funding progress included as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

Annual OPEB Cost and Net OPEB Obligation – The following table shows the City’s annual OPEB cost, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation for the last three years:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost	\$ 353,847	372,237	176,900
Amortization of unfunded actuarial accrued liability	244,674	259,588	90,677
Interest on normal cost and amortization	-	-	12,041
Annual required contribution	<u>598,521</u>	<u>631,825</u>	<u>279,618</u>
Interest on Net OPEB obligation	18,658	5,984	-
Adjustment to annual required contribution	<u>(16,659)</u>	<u>(5,158)</u>	<u>-</u>
Total expense or annual OPEB cost	600,520	632,651	279,618
Actual contribution toward OPEB cost	<u>(287,502)</u>	<u>(315,784)</u>	<u>(130,025)</u>
Increase in net OPEB obligation	313,018	316,867	149,593
Net OPEB obligation, beginning of year	<u>466,460</u>	<u>149,593</u>	<u>-</u>
Net OPEB obligation, end of year	\$ <u><u>779,478</u></u>	<u><u>466,460</u></u>	<u><u>149,593</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2011, was as follows:

**Other Post Employment Benefits
Three Year Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>% of AOC Contributed</u>	<u>Net OPEB Obligation</u>
09/30/09	\$ 279,618	46.50%	\$ 149,593
09/30/10	632,651	49.91%	466,460
09/30/11	600,520	47.88%	779,478

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City's OPEB actuarial valuation for the 2010-11 fiscal year used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. The amortization method is a level percentage closed with a 28 year remaining amortization period. Although the OPEB liability is currently unfunded, the actuarial assumptions included a 4.0% rate of return on invested assets (including inflation at 3%), which is the City's long-term expectation of investment returns under its investment policy. The actuarial assumptions included projected salary increases ranging from 6% to 13% per year (including inflation at 3%), and a 4% payroll growth assumption. The initial trend rate was 10.5% for the first year, 9% for the second year, 8.5% for the third year, and 5% for the ultimate trend rate.

(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 funds 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.

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 increases in premiums.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

The City is responsible up to specified limits for the self insurance retention amounts and purchases excess insurance against catastrophic losses. Policies are maintained to provide coverage for all individual claims in excess of the amounts shown:

Property damage	\$ 25,000
Third party liability	100,000
Excess workers' compensation	
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	1,050,000

The liability for unpaid claims is estimated based upon historical actual results adjusted for current economic trends. The estimated claims liability for all self-insured risks are reported as claims payable in the Risk Management and Health Benefits Internal Service funds which include an estimate for incurred but not reported claims. In addition, reimbursements from excess loss reinsurers are netted against claims expenses, as applicable, in the Risk Management and Health Benefits Internal Service funds. During the current year, \$71,923 and \$190,219 of excess loss reimbursements were recorded in the Risk Management Fund and Health Benefits Fund, respectively.

Estimated liabilities for unpaid claims are based on estimates of pending claims and claims incurred but not reported at September 30, 2011. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2011, \$2,963,000 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, 2011

A reconciliation of estimated claims liabilities is as follows:

	<u>Risk management</u>	<u>Health benefits</u>	<u>Total</u>
Balance September 30, 2009	\$ 2,498,000	405,000	2,903,000
Current year claims incurred and change in estimates	2,354,002	4,106,241	6,460,243
Claim payments	<u>(2,319,002)</u>	<u>(4,136,241)</u>	<u>(6,455,243)</u>
Balance September 30, 2010	2,533,000	375,000	2,908,000
Current year claims incurred and change in estimates	2,103,070	3,797,168	5,900,238
Claim payments	<u>(2,021,070)</u>	<u>(3,824,168)</u>	<u>(5,845,238)</u>
Balance September 30, 2011	\$ <u>2,615,000</u>	<u>348,000</u>	<u>2,963,000</u>

iv. Construction Projects

At September 30, 2011, the City had the following commitments:

<u>Project</u>	<u>Contract amount</u>	<u>Completed to date</u>	<u>Balance</u>
Golden Gate Canal Intake and Main Contractors	\$ 4,804,408	564,627	4,239,781
Engineers	432,302	39,030	393,272
Solid Waste Transfer Station Engineers	199,999	-	199,999
East Naples Bay Dredging Contractors	2,237,839	398,455	1,839,384
Engineers	434,420	175,202	259,218

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2011

(M) Subsequent Events

Events and transactions that occur after fiscal year-end but prior to issuance of the CAFR are subsequent events. The City has evaluated all subsequent events through March 13, 2012, the date the financial statements were available to be issued.

Debt: On March 6, 2012, the City issued Public Utilities Refunding Revenue Bond, Series 2012A (2.65% yield) in the amount of \$8,324,000 and Public Utilities Refunding Revenue Bond, Series 2012B (2.54% yield) in the amount of \$4,835,000 to refund the Public Utilities Revenue Bond, Series 2007A and Public Utilities Refunding Revenue Bond, Series 2007B, respectively. Both bonds mature September 1, 2027.

Pension: Effective October 1, 2011, the City of Naples, Florida, amended the General Pension, Ordinance 11-12951, for new employees reducing the multiplier from 2.5% to 1.6%, reducing the members contribution rate from 5% to 3%, increasing the retirement age from 60 years of age to 65 years of age and increasing the final average compensation from 36 months to 96 months.

The City and the Police union are currently negotiating pension reform for all new members hired after March 31, 2012.

(N) New Pronouncement

Effective October 1, 2010, the City implemented Governmental Accounting Standards Board Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NAPLES, FLORIDA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended September 30, 2011

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
Ad valorem	\$ 16,310,400	16,310,400	16,520,948	210,548
Local communication and business	2,603,915	2,603,915	2,536,682	(67,233)
Insurance premium tax	-	1,319,318	1,319,318	-
Permits, fees, and assessments	4,022,000	4,022,000	3,547,073	(474,927)
Intergovernmental	3,023,500	3,037,994	3,142,392	104,398
Charges for services	1,622,060	1,648,310	1,629,099	(19,211)
Charges to other funds	3,720,708	3,720,708	3,720,708	-
Fines and forfeitures	259,720	260,180	191,695	(68,485)
Interest	300,000	300,000	145,746	(154,254)
Miscellaneous	15,000	15,000	156,313	141,313
Total revenues	<u>31,877,303</u>	<u>33,237,825</u>	<u>32,909,974</u>	<u>(327,851)</u>
Expenditures:				
Current:				
General government:				
Mayor and City Council	345,072	345,072	336,736	8,336
City Attorney	603,164	603,164	382,523	220,641
City Clerk	517,156	517,156	491,417	25,739
City Manager	590,231	590,231	569,683	20,548
Human resources	454,876	454,876	453,221	1,655
Planning	477,778	477,778	452,547	25,231
Finance	1,720,748	1,720,748	1,712,416	8,332
Nondepartmental	3,871,480	3,972,399	3,743,954	228,445
Total general government	<u>8,580,505</u>	<u>8,681,424</u>	<u>8,142,497</u>	<u>538,927</u>
Public safety:				
Fire	7,828,212	8,593,810	8,086,651	507,159
Police	10,946,491	11,507,648	11,165,022	342,626
Code inspections	157,123	157,123	144,413	12,710
Total public safety	<u>18,931,826</u>	<u>20,258,581</u>	<u>19,396,086</u>	<u>862,495</u>
Physical and economic environment:				
Natural resources	386,114	386,114	360,358	25,756
Total physical and economic environment	<u>386,114</u>	<u>386,114</u>	<u>360,358</u>	<u>25,756</u>
Culture and recreation:				
Community services	6,011,567	6,066,909	5,211,200	855,709
Total culture and recreation	<u>6,011,567</u>	<u>6,066,909</u>	<u>5,211,200</u>	<u>855,709</u>

CITY OF NAPLES, FLORIDA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended September 30, 2011

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Capital outlay:				
Public safety:				
Fire	\$ 2,495	2,495	2,440	55
Police	-	-	-	-
Physical and economic development	-	-	-	-
Nondepartmental	-	-	-	-
	<u>2,495</u>	<u>2,495</u>	<u>2,440</u>	<u>55</u>
Total capital outlay				
	33,912,507	35,395,523	33,112,581	2,282,942
Excess (deficiency) of revenues over (under) expenditures	<u>(2,035,204)</u>	<u>(2,157,698)</u>	<u>(202,607)</u>	<u>1,955,091</u>
Other financing sources (uses):				
Transfers in	2,148,967	2,148,507	2,040,000	(108,507)
Transfers out	(66,383)	(66,383)	(66,383)	-
Proceeds from sale of capital assets	5,000	5,000	3,033	(1,967)
	<u>2,087,584</u>	<u>2,087,124</u>	<u>1,976,650</u>	<u>(110,474)</u>
Total other financing sources (uses)				
Change in fund balances	52,380	(70,574)	1,774,043	1,844,617
Fund balances—beginning of year	<u>17,473,649</u>	<u>17,473,649</u>	<u>17,473,649</u>	<u>-</u>
Fund balances—end of year	<u>\$ 17,526,029</u>	<u>17,403,075</u>	<u>19,247,692</u>	<u>1,844,617</u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Community Redevelopment Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year Ended September 30, 2011

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
Ad valorem	\$ 556,250	556,250	556,250	-
Intergovernmental	1,700,000	1,700,000	1,680,287	(19,713)
Interest	47,600	47,600	26,403	(21,197)
Miscellaneous	-	-	1,880	1,880
Total revenues	<u>2,303,850</u>	<u>2,303,850</u>	<u>2,264,820</u>	<u>(39,030)</u>
Expenditures:				
Current:				
Economic development	1,228,484	1,232,686	1,017,548	215,138
Capital Outlay:				
Economic development	405,000	862,279	307,421	554,858
Debt service:				
Interest	-	752,295	13,625	738,670
Total expenditures	<u>1,633,484</u>	<u>2,847,260</u>	<u>1,338,594</u>	<u>1,508,666</u>
Excess (deficiency) of revenues over (under) expenditures	<u>670,366</u>	<u>(543,410)</u>	<u>926,226</u>	<u>1,469,636</u>
Other financing sources (uses):				
Transfers in	13,883	13,883	13,883	-
Transfers out	<u>(1,819,828)</u>	<u>(1,067,533)</u>	<u>(1,067,533)</u>	-
Total other financing sources (uses)	<u>(1,805,945)</u>	<u>(1,053,650)</u>	<u>(1,053,650)</u>	-
Net changes in fund balances	<u>(1,135,579)</u>	<u>(1,597,060)</u>	<u>(127,424)</u>	<u>1,469,636</u>
Fund balances—beginning of year	<u>3,192,324</u>	<u>3,192,324</u>	<u>3,244,287</u>	<u>51,963</u>
Fund balances—end of year	<u>\$ 2,056,745</u>	<u>1,595,264</u>	<u>3,116,863</u>	<u>1,521,599</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, 2011

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Motor fuel taxes	\$ 1,365,000	1,365,000	1,386,067	21,067
Permits, fees, and assessments	75,000	75,000	200,000	125,000
Intergovernmental	350,000	350,000	361,368	11,368
Interest	54,600	54,600	36,935	(17,665)
Miscellaneous	5,000	5,000	3,942	(1,058)
Total revenues	<u>1,849,600</u>	<u>1,849,600</u>	<u>1,988,312</u>	<u>138,712</u>
Expenditures:				
Current:				
Transportation:	2,419,114	2,645,451	2,191,327	454,124
Capital outlay:				
Transportation:	150,000	558,721	322,666	236,055
Total expenditures	<u>2,569,114</u>	<u>3,204,172</u>	<u>2,513,993</u>	<u>690,179</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(719,514)</u>	<u>(1,354,572)</u>	<u>(525,681)</u>	<u>828,891</u>
Other financing sources:				
Transfers in	55,311	55,311	-	(55,311)
Total other financing sources	<u>55,311</u>	<u>55,311</u>	<u>-</u>	<u>(55,311)</u>
Net changes in fund balances	(664,203)	(1,299,261)	(525,681)	773,580
Fund balances—beginning of year	<u>4,440,719</u>	<u>4,440,719</u>	<u>4,810,723</u>	<u>370,004</u>
Fund balances—end of year	\$ <u><u>3,776,516</u></u>	<u><u>3,141,458</u></u>	<u><u>4,285,042</u></u>	<u><u>1,143,584</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Required Supplementary Information

September 30, 2011

Basis of Presentation

The budget was adopted on a basis consistent with generally accepted accounting principles using the modified accrual basis of accounting. Expenditures were controlled at the department level for the General Fund and the fund level for the Community Redevelopment Fund and Streets and Traffic Fund.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2011
(Unaudited)

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

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

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

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
9/30/11	\$ 2,334	2,334	100%
9/30/10	2,064	2,064	100%
9/30/09	1,882	2,084	111%
9/30/08	1,110	1,438	130%
9/30/07	1,094	1,160	106%
9/30/06	982	1,044	106%

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2011
(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
10/01/11	\$ 31,260	57,751	26,491	54%	5,016	528%
10/01/10	30,894	53,574	22,680	58%	5,490	413%
10/01/09	29,816	49,470	19,654	60%	5,738	343%
10/01/08	28,760	44,114	15,354	65%	5,434	283%
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%

**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
9/30/11	\$ 2,100	1,546	554	100%
9/30/10	2,159	1,612	547	100%
9/30/09	1,850	1,292	625	104%
9/30/08	1,488	886	726	108%
9/30/07	1,333	704	662 *	102%
9/30/06	1,042	379	662 *	100%

* Baseline amount per Chapter 185, F.S.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2011
(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
10/01/11	\$ 29,408	51,166	21,759	57%	3,640	598%
10/01/10	28,280	48,047	19,767	59%	3,890	508%
10/01/09	26,748	43,855	17,107	61%	3,780	453%
10/01/08	23,543	41,533	17,990	57%	3,682	489%
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%

**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
9/30/11	\$ 2,444	1,678	766	100%
9/30/10	2,576	1,683	893	100%
9/30/09	1,998	608	1,391	100%
9/30/08	1,628	888	776 *	102%
9/30/07	1,253	573	776 *	108%
9/30/06	976	288	709 *	102%

* Baseline amount per Chapter 175, F.S.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2011
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2009 * \$	-	6,690	6,690	0%	23,317	29%
10/1/2009	-	7,382	7,382	0%	23,317	32%
9/30/2009	-	2,614	2,614	0%	28,864	9%

* After benefit changes.

**Other Post-Employment Benefits Plan
Schedule of Employer Contributions
(in thousands)**

Fiscal Year Ended	Annual Required Contribution	City Contribution	Percentage Contributed	Net OPEB Obligation
9/30/11	\$ 599	288	48%	779
9/30/10	632	316	50%	466
9/30/09	280	130	46%	150

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

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

Improvement Fund – To account for donations from private individuals for specific City projects.

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

Grants Fund – To account for American Reinvestment Recovery Act (ARRA) grant activity.

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

41-10 Public Open Space Fund – To account for the receipt and disbursement of monies used for the purpose of acquiring land and for the construction or reconstruction of public open space in the Downtown District pursuant to Ordinance 03-100093.

Parking Trust Fund – To account for the receipt and disbursement of monies used for the purpose of construction or reconstruction of parking spaces in the Downtown District pursuant to Ordinance 03-10093.

East Naples Bay District – To account for the receipt and disbursement of monies used for the purpose of maintenance dredging in the canals and waterways within the area or boundary of the district of East Naples Bay pursuant to Ordinance 87-5330.

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 pursuant to Ordinance 87-5328.

Capital Projects Funds

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

Impact Fee Fund – To account for the receipt and disbursement of impact fee monies pursuant to Florida Statute for use in funding infrastructure necessitated by new growth.

Land Conservation Trust Fund – To account for the receipt and disbursement of monies used for the acquisition of open space pursuant to Resolution 98-8209.

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2011

	Special Revenue Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 8,269,970	994,421	9,264,391
Accounts receivable	6,084	-	6,084
Accrued interest	14,462	1,595	16,057
Due from other governments	34,552	-	34,552
Total assets	<u>\$ 8,325,068</u>	<u>996,016</u>	<u>9,321,084</u>
Liabilities:			
Accounts payable	\$ 658,298	-	658,298
Accrued payroll	30,852	-	30,852
Due to other funds	25,394	-	25,394
Customer deposits	2,237	-	2,237
Deferred revenue	6,084	-	6,084
Total liabilities	<u>722,865</u>	<u>-</u>	<u>722,865</u>
Fund balances:			
Restricted	5,286,124	230,601	5,516,725
Committed	2,310,443	765,415	3,075,858
Assigned	5,636	-	5,636
Total fund balances	<u>7,602,203</u>	<u>996,016</u>	<u>8,598,219</u>
Total liabilities and fund balances	<u>\$ 8,325,068</u>	<u>996,016</u>	<u>9,321,084</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2011

	Special Revenue Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes–property	\$ 226,005	-	226,005
Permits, fees, and assessments	2,769,961	68,999	2,838,960
Intergovernmental	52,552	-	52,552
Charges for services	279,882	-	279,882
Fines and forfeitures	40,880	-	40,880
Interest	52,119	6,746	58,865
Donations	258,985	-	258,985
Miscellaneous	6,445	-	6,445
Total revenues	<u>3,686,829</u>	<u>75,745</u>	<u>3,762,574</u>
Expenditures:			
Current:			
General government	8,746	-	8,746
Public safety	2,598,320	-	2,598,320
Economic and physical development	385,199	-	385,199
Culture and recreation	80,560	-	80,560
Capital outlay:			
Public safety	94,747	-	94,747
Economic and physical development	571,026	-	571,026
Culture and recreation	18,000	-	18,000
Total expenditures	<u>3,756,598</u>	<u>-</u>	<u>3,756,598</u>
Excess (deficiency) of revenues over (under) expenditures	(69,769)	75,745	5,976
Other financing uses:			
Transfers in	-	-	-
Transfers out	(253,705)	-	(253,705)
Total other financing uses	<u>(253,705)</u>	<u>-</u>	<u>(253,705)</u>
Change in fund balances	(323,474)	75,745	(247,729)
Fund balances–beginning of year	7,925,677	920,271	8,845,948
Fund balances–end of year	<u>\$ 7,602,203</u>	<u>996,016</u>	<u>8,598,219</u>

CITY OF NAPLES, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Special Revenue Funds
September 30, 2011

	Building Fund	Community Development Block Grant	Improvement Fund	Public Arts Fund	Grants Fund
Assets:					
Cash and investments	\$ 5,151,898	5,636	188,882	58,012	-
Accounts receivable	-	-	6,084	-	-
Accrued interest	8,372	-	-	113	-
Due from other governments	-	-	-	-	34,552
Total assets	\$ 5,160,270	5,636	194,966	58,125	34,552
Liabilities:					
Accounts payable	\$ 201,711	-	2,100	-	9,158
Accrued payroll	30,852	-	-	-	-
Due to other funds	-	-	-	-	25,394
Customer deposits	-	-	-	2,237	-
Deferred revenue	-	-	6,084	-	-
Total liabilities	232,563	-	8,184	2,237	34,552
Fund balances:					
Restricted	4,927,707	-	186,782	-	-
Committed	-	-	-	55,888	-
Assigned	-	5,636	-	-	-
Total fund balances	4,927,707	5,636	186,782	55,888	-
Total liabilities and fund balances	\$ 5,160,270	5,636	194,966	58,125	34,552

Confiscated Properties Fund	Business Improvement District Fund	41-10 Public Open Space Fund	Parking Trust Fund	East Naples Bay District	Moorings Bay District	Total Nonmajor Special Revenue
172,611	1,744	155,366	353,683	1,141,876	1,040,262	8,269,970
-	-	-	-	-	-	6,084
342	-	1,146	780	1,892	1,817	14,462
-	-	-	-	-	-	34,552
<u>172,953</u>	<u>1,744</u>	<u>156,512</u>	<u>354,463</u>	<u>1,143,768</u>	<u>1,042,079</u>	<u>8,325,068</u>
1,318	-	-	-	441,063	2,948	658,298
-	-	-	-	-	-	30,852
-	-	-	-	-	-	25,394
-	-	-	-	-	-	2,237
-	-	-	-	-	-	6,084
<u>1,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>441,063</u>	<u>2,948</u>	<u>722,865</u>
171,635	-	-	-	-	-	5,286,124
-	1,744	156,512	354,463	702,705	1,039,131	2,310,443
-	-	-	-	-	-	5,636
<u>171,635</u>	<u>1,744</u>	<u>156,512</u>	<u>354,463</u>	<u>702,705</u>	<u>1,039,131</u>	<u>7,602,203</u>
<u>172,953</u>	<u>1,744</u>	<u>156,512</u>	<u>354,463</u>	<u>1,143,768</u>	<u>1,042,079</u>	<u>8,325,068</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Special Revenue Funds
Year Ended September 30, 2011

	Building Fund	Community Development Block Grant	Improvement Fund	Public Arts Fund	Grants Fund
Revenues:					
Taxes – property	\$ -	-	-	-	-
Permits, fees, and assessments	2,482,856	-	-	-	-
Intergovernmental	-	-	-	-	52,552
Charges for services	269,882	10,000	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest	31,556	-	-	430	-
Donations	-	-	258,985	-	-
Miscellaneous	6,445	-	-	-	-
Total revenues	<u>2,790,739</u>	<u>10,000</u>	<u>258,985</u>	<u>430</u>	<u>52,552</u>
Expenditures:					
Current:					
General government	-	-	8,746	-	-
Public safety	2,532,594	-	29,442	-	-
Economic and physical development	-	-	25,912	-	34,552
Culture and recreation	-	-	80,560	-	-
Capital outlay:					
Public safety	92,257	-	-	-	-
Economic and physical development	-	20,153	-	-	-
Culture and recreation	-	-	-	-	18,000
Total expenditures	<u>2,624,851</u>	<u>20,153</u>	<u>144,660</u>	<u>-</u>	<u>52,552</u>
Excess (deficiency) of revenues over (under) expenditures	<u>165,888</u>	<u>(10,153)</u>	<u>114,325</u>	<u>430</u>	<u>-</u>
Other financing uses:					
Transfers out	-	-	(253,705)	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>(253,705)</u>	<u>-</u>	<u>-</u>
Change in fund balances	165,888	(10,153)	(139,380)	430	-
Fund balances—beginning of year	<u>4,761,819</u>	<u>15,789</u>	<u>326,162</u>	<u>55,458</u>	<u>-</u>
Fund balances—end of year	<u>\$ 4,927,707</u>	<u>5,636</u>	<u>186,782</u>	<u>55,888</u>	<u>-</u>

Confiscated Properties Fund	Business Improvement District Fund	41-10 Public Open Space Fund	Parking Trust Fund	East Naples Bay District	Moorings Bay District	Total Nonmajor Special Revenue
-	-	-	-	190,496	35,509	226,005
-	287,105	-	-	-	-	2,769,961
-	-	-	-	-	-	52,552
-	-	-	-	-	-	279,882
40,880	-	-	-	-	-	40,880
1,008	-	1,053	2,396	8,401	7,275	52,119
-	-	-	-	-	-	258,985
-	-	-	-	-	-	6,445
<u>41,888</u>	<u>287,105</u>	<u>1,053</u>	<u>2,396</u>	<u>198,897</u>	<u>42,784</u>	<u>3,686,829</u>
-	-	-	-	-	-	8,746
36,284	-	-	-	-	-	2,598,320
-	285,361	-	-	24,523	14,851	385,199
-	-	-	-	-	-	80,560
2,490	-	-	-	-	-	94,747
-	-	-	-	550,873	-	571,026
-	-	-	-	-	-	18,000
<u>38,774</u>	<u>285,361</u>	<u>-</u>	<u>-</u>	<u>575,396</u>	<u>14,851</u>	<u>3,756,598</u>
<u>3,114</u>	<u>1,744</u>	<u>1,053</u>	<u>2,396</u>	<u>(376,499)</u>	<u>27,933</u>	<u>(69,769)</u>
-	-	-	-	-	-	(253,705)
-	-	-	-	-	-	(253,705)
3,114	1,744	1,053	2,396	(376,499)	27,933	(323,474)
168,521	-	155,459	352,067	1,079,204	1,011,198	7,925,677
<u>171,635</u>	<u>1,744</u>	<u>156,512</u>	<u>354,463</u>	<u>702,705</u>	<u>1,039,131</u>	<u>7,602,203</u>

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2011

	<u>Capital Project Fund</u>		<u>Total</u>
	<u>Impact</u>	<u>Land</u>	<u>Nonmajor</u>
	<u>Fee</u>	<u>Conservation</u>	<u>Capital Projects</u>
	<u>Fund</u>	<u>Trust</u>	<u>Funds</u>
Assets:			
Cash and investments	\$ 230,358	764,063	994,421
Accrued interest	243	1,352	1,595
Total assets	<u>\$ 230,601</u>	<u>765,415</u>	<u>996,016</u>
Liabilities:			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted	230,601	-	230,601
Committed	-	765,415	765,415
Total fund balances	<u>230,601</u>	<u>765,415</u>	<u>996,016</u>
Total liabilities and fund balances	<u>\$ 230,601</u>	<u>765,415</u>	<u>996,016</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2011

	<u>Capital Project Fund</u>		
	<u>Impact Fee Fund</u>	<u>Land Conservation Trust</u>	<u>Total Nonmajor Governmental Projects</u>
Revenues:			
Taxes, property	\$ -	-	-
Permits, fees, and assessments	68,999	-	68,999
Interest	<u>1,291</u>	<u>5,455</u>	<u>6,746</u>
Total revenues	<u>70,290</u>	<u>5,455</u>	<u>75,745</u>
Expenditures:			
Current:			
Economic and physical development	-	-	-
Capital outlay:			
Economic and physical development	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	70,290	5,455	75,745
Fund balances—beginning of year	<u>160,311</u>	<u>759,960</u>	<u>920,271</u>
Fund balances—end of year	<u>\$ 230,601</u>	<u>765,415</u>	<u>996,016</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, 2011

	Building Fund			
	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Permits, fees and assessments	\$ 1,933,200	1,933,200	2,482,856	549,656
Intergovernmental	-	-	-	-
Charges for services	266,374	266,374	269,882	3,508
Interest	56,000	56,000	31,556	(24,444)
Miscellaneous	1,000	1,000	6,445	5,445
Total revenues	<u>2,256,574</u>	<u>2,256,574</u>	<u>2,790,739</u>	<u>534,165</u>
Expenditures:				
Current:				
Public safety	2,562,218	2,539,078	2,532,594	6,484
Capital outlay:				
Public safety	122,000	145,140	92,257	52,883
Economic and physical development	-	-	-	-
Total expenditures	<u>2,684,218</u>	<u>2,684,218</u>	<u>2,624,851</u>	<u>59,367</u>
Change in fund balances	(427,644)	(427,644)	165,888	593,532
Fund balances—beginning of year	<u>4,335,814</u>	<u>4,335,814</u>	<u>4,761,819</u>	<u>426,005</u>
Fund balances—end of year	<u>\$ 3,908,170</u>	<u>3,908,170</u>	<u>4,927,707</u>	<u>1,019,537</u>

Community Development Block Grant

Original budget	Final budget	Actual	Variance with final budget positive (negative)
-	-	-	-
120,434	120,434	-	(120,434)
10,000	10,000	10,000	-
-	-	-	-
-	-	-	-
<u>130,434</u>	<u>130,434</u>	<u>10,000</u>	<u>(120,434)</u>
-	-	-	-
-	-	-	-
<u>120,434</u>	<u>120,434</u>	<u>20,153</u>	<u>100,281</u>
<u>120,434</u>	<u>120,434</u>	<u>20,153</u>	<u>100,281</u>
10,000	10,000	(10,153)	(20,153)
<u>9,229</u>	<u>9,229</u>	<u>15,789</u>	<u>6,560</u>
<u>19,229</u>	<u>19,229</u>	<u>5,636</u>	<u>(13,593)</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, 2011

	Confiscated Properties Fund			Variance with final budget positive (negative)
	Original budget	Final budget	Actual	
Revenues:				
Intergovernmental	-	-	-	-
Fines and forfeitures	-	158,000	40,880	(117,120)
Interest	-	-	1,008	1,008
Total revenues	<u>-</u>	<u>158,000</u>	<u>41,888</u>	<u>(116,112)</u>
Expenditures:				
Current:				
Public safety	-	103,731	36,284	67,447
Economic and physical development	-	-	-	-
Capital outlay:				
Public safety	-	65,000	2,490	62,510
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>168,731</u>	<u>38,774</u>	<u>129,957</u>
Change in fund balances	-	(10,731)	3,114	13,845
Fund balances—beginning of year	<u>178,018</u>	<u>178,018</u>	<u>168,521</u>	<u>(9,497)</u>
Fund balances—end of year	<u><u>178,018</u></u>	<u><u>167,287</u></u>	<u><u>171,635</u></u>	<u><u>4,348</u></u>

Grants Fund

<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
-	142,960	52,552	(90,408)
-	-	-	-
-	-	-	-
<u>-</u>	<u>142,960</u>	<u>52,552</u>	<u>(90,408)</u>
-	-	-	-
-	117,500	34,552	82,948
-	-	-	-
-	25,460	18,000	7,460
<u>-</u>	<u>142,960</u>	<u>52,552</u>	<u>90,408</u>
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF NAPLES, FLORIDA
 Nonmajor Special Revenue Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year Ended September 30, 2011

	Business Improvement District			Variance with final budget positive (negative)
	Original budget	Final budget	Actual	
Revenues:				
Taxes:				
Property	\$ -	-		-
Permits, fees, and assessments	-	289,772	287,105	(2,667)
Interest	-	-		-
Total revenues	<u>-</u>	<u>289,772</u>	<u>287,105</u>	<u>(2,667)</u>
Expenditures:				
Current:				
Economic and physical development	-	289,772	285,361	4,411
Capital outlay:				
Economic and physical development	-	-	-	-
Total expenditures	<u>-</u>	<u>289,772</u>	<u>285,361</u>	<u>4,411</u>
Change in fund balances	-	-	1,744	1,744
Fund balances—beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances—end of year	<u>\$ -</u>	<u>-</u>	<u>1,744</u>	<u>1,744</u>

East Naples Bay District				Moorings Bay District			
Original budget	Final budget	Actual	Variance with final budget positive (negative)	Original budget	Final budget	Actual	Variance with final budget positive (negative)
188,500	188,500	190,496	1,996	35,010	35,010	35,509	499
-	-	-	-	-	-	-	-
4,200	4,200	8,401	4,201	12,600	12,600	7,275	(5,325)
192,700	192,700	198,897	6,197	47,610	47,610	42,784	(4,826)
255,250	282,647	24,523	258,124	55,250	55,250	14,851	40,399
3,000,000	3,000,000	550,873	2,449,127	-	-	-	-
3,255,250	3,282,647	575,396	2,707,251	55,250	55,250	14,851	40,399
(3,062,550)	(3,089,947)	(376,499)	2,713,448	(7,640)	(7,640)	27,933	35,573
898,535	898,535	1,079,204	180,669	978,423	978,423	1,011,198	32,775
(2,164,015)	(2,191,412)	702,705	2,894,117	970,783	970,783	1,039,131	68,348

CITY OF NAPLES, FLORIDA

Debt Service Fund

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

Year Ended September 30, 2011

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Ad valorem	\$ 564,605	564,605	571,443	6,838
Utility	2,972,585	2,972,585	2,913,191	(59,394)
Miscellaneous	-	-	9,041	9,041
Interest	<u>7,000</u>	<u>7,000</u>	<u>625</u>	<u>(6,375)</u>
Total revenues	<u>3,544,190</u>	<u>3,544,190</u>	<u>3,494,300</u>	<u>(49,890)</u>
Expenditures:				
Current:				
General government	<u>63,087</u>	<u>63,087</u>	<u>63,088</u>	<u>(1)</u>
Total general government	<u>63,087</u>	<u>63,087</u>	<u>63,088</u>	<u>(1)</u>
Debt service:				
Principal	1,747,000	1,810,722	2,222,000	(411,278)
Interest and fiscal charges	<u>885,707</u>	<u>966,076</u>	<u>575,943</u>	<u>390,133</u>
Total debt service	<u>2,632,707</u>	<u>2,776,798</u>	<u>2,797,943</u>	<u>(21,145)</u>
Total expenditures	<u>2,695,794</u>	<u>2,839,885</u>	<u>2,861,031</u>	<u>(21,146)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>848,396</u>	<u>704,305</u>	<u>633,269</u>	<u>(71,036)</u>
Other financing sources (uses):				
Transfers in	1,067,533	1,067,533	1,067,533	-
Transfers out	(2,330,015)	(2,330,015)	(2,330,015)	-
Note issued	-	17,094,000	17,094,000	-
Payments to current refund debt	-	(10,186,000)	(10,186,000)	-
Payments to escrow agent	<u>-</u>	<u>(8,285,998)</u>	<u>(8,285,998)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,262,482)</u>	<u>(2,640,480)</u>	<u>(2,640,480)</u>	<u>-</u>
Change in fund balances	(414,086)	(1,936,175)	(2,007,211)	(71,036)
Fund balances—beginning of year	<u>3,444,605</u>	<u>3,444,605</u>	<u>3,444,605</u>	<u>-</u>
Fund balances—end of year	<u>\$ 3,030,519</u>	<u>1,508,430</u>	<u>1,437,394</u>	<u>(71,036)</u>

CITY OF NAPLES, FLORIDA

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year Ended September 30, 2011

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Permits, fees, and assessments	\$ 8,700	7,200	68,979	61,779
Interest	71,400	72,900	67,910	(4,990)
Miscellaneous	185,000	-	-	-
Total revenues	265,100	80,100	136,889	56,789
Expenditures:				
Current:				
General government	61,745	92,908	92,907	1
Public safety	-	38,061	68,555	(30,494)
Physical and economic environment	-	182,843	182,843	-
Culture and recreation	-	12,284	11,042	1,242
Total general government	61,745	326,096	355,347	(29,251)
Capital projects:				
City clerk	15,000	13,534	7,824	5,710
Fire	1,509,500	1,688,883	591,357	1,097,526
Police	305,150	339,661	300,016	39,645
Community services	1,425,000	1,578,763	566,387	1,012,376
Nondepartmental	125,000	585,303	49,035	536,268
Total capital projects	3,379,650	4,206,144	1,514,619	2,691,525
Total expenditures	3,441,395	4,532,240	1,869,966	2,662,274
Excess (deficiency) of revenues over (under) expenditures	(3,176,295)	(4,452,140)	(1,733,077)	2,719,063
Other financing sources:				
Transfers in	2,918,492	3,172,196	2,583,720	(588,476)
Transfers out	(44,840)	(44,840)	(44,840)	-
Proceeds from sale of capital assets	12,500	12,500	33,920	21,420
Total other financing sources	2,886,152	3,139,856	2,572,800	(567,056)
Net changes in fund balances	(290,143)	(1,312,284)	839,723	2,152,007
Fund balances—beginning of year	5,462,437	5,462,437	5,462,437	-
Fund balances—end of year	\$ 5,172,294	4,150,153	6,302,160	2,152,007

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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, 2011

Assets	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>	<u>Tennis Fund</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 2,122,834	280,067	346,732	2,749,633
Restricted cash and investments	-	-	5,463	5,463
Receivables (net, where applicable, of allowance for uncollectible):				
Accounts	117,342	15,728	-	133,070
Miscellaneous	-	1,820	-	1,820
Accrued interest	6,940	201	755	7,896
Due from other governments	130,850	5,205	-	136,055
Prepays	-	-	-	-
Inventories	-	21,937	3,276	25,213
Total current assets	<u>2,377,966</u>	<u>324,958</u>	<u>356,226</u>	<u>3,059,150</u>
Capital assets:				
Buildings and utility plants	1,126,190	89,487	703,269	1,918,946
Improvements other than buildings	4,300,841	2,360,575	40,424	6,701,840
Equipment	753,074	367,461	73,681	1,194,216
Accumulated depreciation	<u>(5,315,938)</u>	<u>(2,624,120)</u>	<u>(467,596)</u>	<u>(8,407,654)</u>
Net capital assets	<u>864,167</u>	<u>193,403</u>	<u>349,778</u>	<u>1,407,348</u>
Unamortized issuance cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,242,133</u>	<u>518,361</u>	<u>706,004</u>	<u>4,466,498</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Net Assets

Nonmajor Enterprise Funds

September 30, 2011

Liabilities	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current liabilities:				
Accounts payable	\$ 28,215	27,996	15,829	72,040
Accrued payroll	12,167	2,846	3,747	18,760
Unearned revenue	111,064	35,614	-	146,678
Customer deposits	-	29,334	-	29,334
Current portion of compensated absences	13,813	1,687	2,413	17,913
Current maturities of long-term debt	-	-	55,000	55,000
Total current liabilities	<u>165,259</u>	<u>97,477</u>	<u>76,989</u>	<u>339,725</u>
Current liabilities (payable from restricted assets):				
Current maturities of long-term debt	-	-	5,000	5,000
Accrued interest payable	-	-	463	463
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>-</u>	<u>5,463</u>	<u>5,463</u>
Total current liabilities	<u>165,259</u>	<u>97,477</u>	<u>82,452</u>	<u>345,188</u>
Noncurrent liabilities:				
Long-term debt	-	-	195,000	195,000
Other post-employment benefits	14,653	2,102	3,928	20,683
Compensated absences	27,544	4,341	13,950	45,835
Total noncurrent liabilities	<u>42,197</u>	<u>6,443</u>	<u>212,878</u>	<u>261,518</u>
Total liabilities	<u>207,456</u>	<u>103,920</u>	<u>295,330</u>	<u>606,706</u>
Net Assets				
Invested in capital assets, net of related debt	864,167	193,403	94,778	1,152,348
Unrestricted	2,170,510	221,038	315,896	2,707,444
Total net assets	<u>\$ 3,034,677</u>	<u>414,441</u>	<u>410,674</u>	<u>3,859,792</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, 2011

	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Operating revenues:				
Charges for services	\$ 1,125,781	1,298,741	452,109	2,876,631
Total operating revenues	<u>1,125,781</u>	<u>1,298,741</u>	<u>452,109</u>	<u>2,876,631</u>
Operating expenses:				
Personal services	641,815	163,829	212,556	1,018,200
Supplies and services	166,112	886,657	152,484	1,205,253
Utilities	71,336	60,663	3,787	135,786
Depreciation and amortization	286,468	102,578	50,564	439,610
General administration	132,820	49,980	38,159	220,959
Other	71,222	-	22,930	94,152
Total operating expenses	<u>1,369,773</u>	<u>1,263,707</u>	<u>480,480</u>	<u>3,113,960</u>
Operating income (loss)	<u>(243,992)</u>	<u>35,034</u>	<u>(28,371)</u>	<u>(237,329)</u>
Nonoperating revenues (expenses):				
Grant revenue	621,838	-	-	621,838
Interest income	14,346	1,773	2,902	19,021
Interest expense	-	-	(3,085)	(3,085)
Gain on sale of capital assets	1,088	-	(635)	453
Total nonoperating revenues (expenses)	<u>637,272</u>	<u>1,773</u>	<u>(818)</u>	<u>638,227</u>
Income (loss) before contributions and transfers	393,280	36,807	(29,189)	400,898
Capital contributions	18,412	-	-	18,412
Transfers in	-	-	52,500	52,500
Change in net assets	<u>411,692</u>	<u>36,807</u>	<u>23,311</u>	<u>471,810</u>
Net assets—beginning of year	<u>2,622,985</u>	<u>377,634</u>	<u>387,363</u>	<u>3,387,982</u>
Net assets—end of year	<u>\$ 3,034,677</u>	<u>414,441</u>	<u>410,674</u>	<u>3,859,792</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2011

	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,122,740	1,318,486
Cash payments to suppliers	(306,005)	(937,896)
Cash payments for benefits on behalf of employees	(655,511)	(169,402)
Cash payments for interfund services	(132,820)	(49,980)
Net cash provided by operating activities	<u>28,404</u>	<u>161,208</u>
Cash flows from noncapital financing activities:		
Transfers	-	-
Operating grants	619,448	-
Net cash provided by noncapital financing activities	<u>619,448</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	-	-
Interest paid on long-term debt	-	-
Capital contributions	18,412	-
Proceeds from sale of capital assets	1,088	-
Acquisition and construction of capital assets	(32,182)	-
Net cash used by capital and related financing activities	<u>(12,682)</u>	<u>-</u>
Cash flows from investing activities:		
Interest and investment earnings	12,944	1,770
Net cash provided by investing activities	<u>12,944</u>	<u>1,770</u>
Net increase in cash and cash equivalents	648,114	162,978
Cash and cash equivalents—beginning of year	<u>1,474,720</u>	<u>117,089</u>
Cash and cash equivalents—end of year	<u>\$ 2,122,834</u>	<u>280,067</u>

Tennis Fund	Total
452,109	2,893,335
(163,915)	(1,407,816)
(218,428)	(1,043,341)
(38,159)	(220,959)
<u>31,607</u>	<u>221,219</u>
52,500	52,500
-	619,448
<u>52,500</u>	<u>671,948</u>
(45,000)	(45,000)
(4,578)	(4,578)
-	18,412
-	1,088
(29,190)	(61,372)
<u>(78,768)</u>	<u>(91,450)</u>
2,895	17,609
<u>2,895</u>	<u>17,609</u>
8,234	819,326
<u>343,961</u>	<u>1,935,770</u>
<u>352,195</u>	<u>2,755,096</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2011

	Naples Beach Fund	City Dock Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (243,992)	35,034
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	286,468	102,578
Changes in assets and liabilities:		
(Increase) decrease in receivables, net	(47,052)	2,563
Decrease in due from other governments	-	504
(Increase) decrease in inventories	-	(6,455)
Increase in accounts payable	2,665	15,879
Decrease in accrued payroll	(18,747)	(4,719)
Increase in unearned revenue	44,011	7,033
Increase in customer deposits	-	9,645
Increase in other post-employment benefits	6,090	829
Decrease in compensated absences	(1,039)	(1,683)
Net cash provided by operating activities	\$ 28,404	161,208

<u>Tennis Fund</u>	<u>Total</u>
(28,371)	(237,329)
50,564	439,610
-	(44,489)
-	504
2,734	(3,721)
12,552	31,096
(6,780)	(30,246)
-	51,044
-	9,645
1,666	8,585
(758)	(3,480)
<u>31,607</u>	<u>221,219</u>

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Internal Service Funds

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

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

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

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

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, 2011

Assets	Equipment services	Risk management
Current assets:		
Cash and investments	\$ 237,124	4,692,392
Receivables–miscellaneous	-	5,941
Accrued interest	398	6,238
Due from other governments	8,790	-
Inventories	137,299	-
Total current assets	383,611	4,704,571
Capital assets:		
Buildings	779,289	-
Equipment	320,854	29,906
Accumulated depreciation	(525,145)	(29,906)
Net capital assets	574,998	-
Total assets	958,609	4,704,571
Liabilities		
Current liabilities:		
Accounts payable	127,579	32,683
Accrued payroll	12,741	2,387
Unearned revenue	-	149
Total current liabilities	140,320	35,219
Noncurrent liabilities:		
Due within one year:		
Compensated absences	9,700	2,326
Insurance claims payable	-	633,000
Due in more than one year:		
Compensated absences	63,183	5,603
Other post-employment benefits	12,067	1,646
Insurance claims payable	-	1,982,000
Total noncurrent liabilities	84,950	2,624,575
Total liabilities	225,270	2,659,794
Net Assets		
Invested in capital assets, net of related debt	574,998	-
Unrestricted	158,341	2,044,777
Total net assets	\$ 733,339	2,044,777

Health benefits	Technology services	Total
1,219,103	745,573	6,894,192
4,976	-	10,917
2,617	1,057	10,310
-	-	8,790
-	-	137,299
<u>1,226,696</u>	<u>746,630</u>	<u>7,061,508</u>
-	51,957	831,246
-	1,803,108	2,153,868
-	(1,364,218)	(1,919,269)
-	490,847	1,065,845
<u>1,226,696</u>	<u>1,237,477</u>	<u>8,127,353</u>
3,105	60,541	223,908
-	16,856	31,984
3,741	-	3,890
<u>6,846</u>	<u>77,397</u>	<u>259,782</u>
-	2,357	14,383
348,000	-	981,000
-	58,395	127,181
-	16,271	29,984
-	-	1,982,000
<u>348,000</u>	<u>77,023</u>	<u>3,134,548</u>
<u>354,846</u>	<u>154,420</u>	<u>3,394,330</u>
-	490,847	1,065,845
871,850	592,210	3,667,178
<u>871,850</u>	<u>1,083,057</u>	<u>4,733,023</u>

CITY OF NAPLES, FLORIDA

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

Internal Service Funds

Year Ended September 30, 2011

	<u>Equipment services</u>	<u>Risk management</u>
Operating revenues:		
Charges for services	\$ 2,087,876	2,904,190
Operating expenses:		
Personal services	662,339	127,625
Supplies, services, and claims	383,105	2,216,444
Materials	995,386	-
Utilities	25,055	-
Depreciation and amortization	83,778	-
General administration	119,486	70,276
Other	2,139	4,147
Total operating expenses	<u>2,271,288</u>	<u>2,418,492</u>
Operating income (loss)	(183,412)	485,698
Nonoperating revenues:		
Interest income	1,528	24,856
Gain on sale of capital assets	1,450	-
Net income (loss) before transfers	<u>(180,434)</u>	<u>510,554</u>
Transfers	-	-
Change in net assets	<u>(180,434)</u>	<u>510,554</u>
Net assets—beginning of year	<u>913,773</u>	<u>1,534,223</u>
Net assets—end of year	\$ <u><u>733,339</u></u>	<u><u>2,044,777</u></u>

Health benefits	Technology services	Total
<u>5,599,977</u>	<u>1,879,490</u>	<u>12,471,533</u>
-	969,661	1,759,625
5,400,266	532,949	8,532,764
-	-	995,386
-	-	25,055
-	236,135	319,913
88,543	109,245	387,550
-	-	6,286
<u>5,488,809</u>	<u>1,847,990</u>	<u>12,026,579</u>
111,168	31,500	444,954
4,966	4,103	35,453
-	248	1,698
<u>116,134</u>	<u>35,851</u>	<u>482,105</u>
-	44,840	44,840
116,134	80,691	526,945
<u>755,716</u>	<u>1,002,366</u>	<u>4,206,078</u>
<u>871,850</u>	<u>1,083,057</u>	<u>4,733,023</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2011

	<u>Equipment services</u>	<u>Risk management</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,085,443	2,900,524
Cash payments to suppliers for goods and services	(1,328,669)	(2,145,943)
Cash payments to employees for services	(667,236)	(129,752)
Cash payments for interfund services	(119,486)	(70,276)
Net cash provided (used) by operating activities	<u>(29,948)</u>	<u>554,553</u>
Cash flows from noncapital and related financing activities:		
Transfers in (out)	-	-
Net cash provided by noncapital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from the sale of fixed assets	1,450	-
Acquisition and construction of capital assets	(58,670)	-
Net cash used by capital and related financing activities	<u>(57,220)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on pooled cash and investments	1,550	24,918
Net cash provided by investing activities	<u>1,550</u>	<u>24,918</u>
Net increase (decrease) in cash and cash equivalents	(85,618)	579,471
Cash and cash equivalents – beginning of year	322,742	4,112,921
Cash and cash equivalents – end of year	<u>\$ 237,124</u>	<u>4,692,392</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (183,412)	485,698
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	83,778	-
Changes in assets and liabilities:		
(Increase) decrease in miscellaneous receivables	-	(3,666)
Increase in due from other governments	(2,433)	-
Increase in inventories	(1,631)	-
Increase (decrease) in accounts payable	78,647	(7,352)
Decrease in accrued payroll	(20,222)	(4,092)
Increase in unearned revenue	-	-
Increase (decrease) in insurance claims payable	-	82,000
Increase in other post-employment benefits	4,671	699
Increase (decrease) in compensated absences	10,654	1,266
Net cash provided (used) by operating activities	<u>\$ (29,948)</u>	<u>554,553</u>

Health benefits	Technology services	Total
5,602,718	1,879,490	12,468,175
(5,426,529)	(513,921)	(9,415,062)
-	(1,044,322)	(1,841,310)
(88,543)	(109,245)	(387,550)
<u>87,646</u>	<u>212,002</u>	<u>824,253</u>
-	44,840	44,840
-	44,840	44,840
-	845	2,295
-	(158,108)	(216,778)
-	(157,263)	(214,483)
4,716	4,151	35,335
4,716	4,151	35,335
92,362	103,730	689,945
1,126,741	641,843	6,204,247
<u>1,219,103</u>	<u>745,573</u>	<u>6,894,192</u>
111,168	31,500	444,954
-	236,135	319,913
242	-	(3,424)
-	-	(2,433)
-	-	(1,631)
737	19,028	91,060
-	(37,614)	(61,928)
2,499	-	2,499
(27,000)	-	55,000
-	6,728	12,098
-	(43,775)	(31,855)
<u>87,646</u>	<u>212,002</u>	<u>824,253</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, 2011

	<u>Pension Trust</u>		
	<u>General Pension Fund</u>	<u>Supplemental General Pension</u>	<u>Managers' 401 Pension</u>
Assets:			
Cash and cash equivalents	\$ 1,653,390	-	-
Contributions receivable	130,585	-	-
Investments, at fair value:			
Corporate bonds	4,700,054	-	-
U.S. Government securities	4,691,144	-	-
Common stock	21,937,016	-	-
Mortgage - backed securities	2,778,532	-	-
Mutual funds	-	4,866,720	618,498
Total investments	<u>34,106,746</u>	<u>4,866,720</u>	<u>618,498</u>
Total assets	<u>35,890,721</u>	<u>4,866,720</u>	<u>618,498</u>
Liabilities:			
DROP payable	337,922	-	-
Deferred contributions	-	-	-
Total liabilities	<u>337,922</u>	<u>-</u>	<u>-</u>
Net assets:			
Held in trust for pension benefits	<u>\$ 35,552,799</u>	<u>4,866,720</u>	<u>618,498</u>

Pension Trust		
Police Officers' Pension Fund	Firefighters' Pension Fund	Total
1,545,241	1,413,626	4,612,257
-	283,016	413,601
4,014,351	3,846,194	12,560,599
3,947,988	3,870,921	12,510,053
16,225,566	15,419,007	53,581,589
2,340,319	2,256,876	7,375,727
-	-	5,485,218
<u>26,528,224</u>	<u>25,392,998</u>	<u>91,513,186</u>
<u>28,073,465</u>	<u>27,089,640</u>	<u>96,539,044</u>
-	-	337,922
<u>36,043</u>	<u>-</u>	<u>36,043</u>
<u>36,043</u>	<u>-</u>	<u>373,965</u>
<u><u>28,037,422</u></u>	<u><u>27,089,640</u></u>	<u><u>96,165,079</u></u>

CITY OF NAPLES, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year Ended September 30, 2011

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Additions:			
Contributions:			
Employee contributions	\$ 900,949	290,671	66,855
Employer contributions	2,338,849	194,523	43,412
State contributions	-	-	-
Total contributions	<u>3,239,798</u>	<u>485,194</u>	<u>110,267</u>
Investment earnings:			
Interest and dividend income	877,914	39,602	1,789
Net change in fair value of investments	(991,509)	(76,792)	12,824
Less investment expense	<u>(215,487)</u>	<u>(14,939)</u>	<u>(502)</u>
Net investment earnings	<u>(329,082)</u>	<u>(52,129)</u>	<u>14,111</u>
Total additions	<u>2,910,716</u>	<u>433,065</u>	<u>124,378</u>
Deductions:			
Benefits paid	2,663,237	-	-
Refunds of contributions	259,596	227,576	154,195
General administration	<u>132,006</u>	<u>-</u>	<u>-</u>
Total deductions	<u>3,054,839</u>	<u>227,576</u>	<u>154,195</u>
Changes in net assets	(144,123)	205,489	(29,817)
Net assets—beginning of year	<u>35,696,922</u>	<u>4,661,231</u>	<u>648,315</u>
Net assets—end of year	<u>\$ 35,552,799</u>	<u>4,866,720</u>	<u>618,498</u>

Pension Trust		
Police Officers' Pension Fund	Firefighters' Pension Fund	Total
260,895	191,783	1,711,153
1,545,967	997,835	5,120,586
553,720	765,598	1,319,318
<u>2,360,582</u>	<u>1,955,216</u>	<u>8,151,057</u>
687,378	646,856	2,253,539
(616,538)	(718,206)	(2,390,221)
(156,949)	(151,810)	(539,687)
<u>(86,109)</u>	<u>(223,160)</u>	<u>(676,369)</u>
<u>2,274,473</u>	<u>1,732,056</u>	<u>7,474,688</u>
2,211,654	1,220,283	6,095,174
24,343	58,056	723,766
70,007	52,498	254,511
<u>2,306,004</u>	<u>1,330,837</u>	<u>7,073,451</u>
(31,531)	401,219	401,237
<u>28,068,953</u>	<u>26,688,421</u>	<u>95,763,842</u>
<u><u>28,037,422</u></u>	<u><u>27,089,640</u></u>	<u><u>96,165,079</u></u>

CITY OF NAPLES, FLORIDA

Statement of Changes in Assets and Liabilities – Agency Funds

Year Ended September 30, 2011

	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2011
Assets				
Cash	\$ 2,991	19,865,237	19,866,949	1,279
Total assets	<u>\$ 2,991</u>	<u>19,865,237</u>	<u>19,866,949</u>	<u>1,279</u>
Liabilities				
Accounts payable	\$ 2,991	19,865,237	19,866,949	1,279
Total liabilities	<u>\$ 2,991</u>	<u>19,865,237</u>	<u>19,866,949</u>	<u>1,279</u>

STATISTICAL SECTION (Unaudited)

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

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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 150

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. 160

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. The City has no legal debt margin and therefore it is not reported in these schedules. 170

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. 176

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. 178

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

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

	Fiscal Year				
	2003	2004	2005	2006	2007
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
Restricted	2,410,852	2,972,191	3,033,223	2,989,709	2,640,493
Unrestricted	24,851,663	31,713,893	34,885,629	36,871,259	42,830,226
Total governmental activities net assets	<u>\$ 59,224,398</u>	<u>66,864,810</u>	<u>74,294,296</u>	<u>84,139,231</u>	<u>92,817,855</u>
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
Restricted	5,956,252	5,956,252	5,956,252	5,702,201	3,218,517
Unrestricted	15,243,549	18,187,025	19,428,925	22,676,063	23,418,439
Total business-type activities net assets	<u>\$ 70,777,363</u>	<u>72,327,474</u>	<u>73,828,992</u>	<u>78,984,577</u>	<u>82,096,994</u>
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
Restricted	8,367,104	8,928,443	8,989,475	8,691,910	5,859,010
Unrestricted	40,095,212	49,900,918	54,314,554	59,547,322	66,248,665
Total primary government net assets	<u>\$ 130,001,761</u>	<u>139,192,284</u>	<u>148,123,288</u>	<u>163,123,808</u>	<u>174,914,849</u>

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

Fiscal Year

2008	2009	2010	2011
52,934,188	48,868,221	47,101,732	47,910,235
3,004,060	3,781,152	983,750	12,987,575
39,230,791	42,765,131	45,710,635	33,134,491
<u>95,169,039</u>	<u>95,414,504</u>	<u>93,796,117</u>	<u>94,032,301</u>
60,313,029	65,279,797	70,342,384	72,488,908
2,566,664	2,693,838	3,122,630	4,070,440
23,979,666	25,931,780	28,569,892	32,963,324
<u>86,859,359</u>	<u>93,905,415</u>	<u>102,034,906</u>	<u>109,522,672</u>
113,247,217	114,148,018	117,444,116	120,399,143
5,570,724	6,474,990	4,106,380	17,058,015
63,210,457	68,696,911	74,280,527	66,097,815
<u>182,028,398</u>	<u>189,319,919</u>	<u>195,831,023</u>	<u>203,554,973</u>

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

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

Fiscal Year

2008	2009	2010	2011
8,140,789	6,668,512	6,394,914	5,622,677
24,409,251	25,633,909	25,616,678	23,957,097
2,588,477	2,925,902	3,207,529	3,239,638
3,394,912	3,520,363	3,715,335	3,553,288
8,584,195	7,733,570	7,243,542	6,850,817
830,822	1,033,650	955,784	443,739
<u>47,948,446</u>	<u>47,515,906</u>	<u>47,133,782</u>	<u>43,667,256</u>
23,625,071	24,816,306	24,334,032	24,300,280
5,835,401	5,501,931	5,366,770	5,497,576
1,833,201	2,088,938	2,458,129	2,642,191
4,177,236	3,505,193	3,094,200	3,117,045
<u>35,470,909</u>	<u>35,912,368</u>	<u>35,253,131</u>	<u>35,557,092</u>
<u>83,419,355</u>	<u>83,428,274</u>	<u>82,386,913</u>	<u>79,224,348</u>
1,310,847	1,043,665	1,139,439	1,238,135
4,492,028	3,571,827	3,631,525	3,803,409
387,922	12,397	12,064	15,372
74,884	-	6,618	3,942
881,822	819,228	840,364	751,480
2,633,209	2,978,768	3,190,239	2,909,353
2,350,214	1,202,496	425,002	294,062
<u>12,130,926</u>	<u>9,628,381</u>	<u>9,245,251</u>	<u>9,015,753</u>
25,299,408	28,219,062	28,303,440	29,055,653
6,369,866	6,294,650	6,089,265	5,974,018
2,890,146	4,467,178	4,422,225	4,538,097
917,236	1,071,798	1,046,660	1,125,781
1,767,944	1,078,547	1,067,358	1,298,741
575,121	548,984	534,095	452,109
646,891	501,525	637,810	621,838
3,358,210	2,057,101	2,991,732	1,726,470
<u>41,824,822</u>	<u>44,238,845</u>	<u>45,092,585</u>	<u>44,792,707</u>
<u>53,955,748</u>	<u>53,867,226</u>	<u>54,337,836</u>	<u>53,808,460</u>
(35,817,520)	(37,887,525)	(37,888,531)	(34,651,503)
<u>6,353,913</u>	<u>8,326,477</u>	<u>9,839,454</u>	<u>9,235,615</u>
<u>(29,463,607)</u>	<u>(29,561,048)</u>	<u>(28,049,077)</u>	<u>(25,415,888)</u>

(Continued)

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

	Fiscal Year				
	2003	2004	2005	2006	2007
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
Local communication and utility taxes	4,314,896	3,904,133	4,149,829	4,269,042	4,218,208
Insurance Premium Tax (b)	-	-	-	1,751,337	1,769,045
Motor fuel taxes	2,044,949	1,731,941	1,585,816	1,579,996	1,532,580
Business taxes	239,422	251,051	291,426	269,389	278,694
Franchise fees	2,619,252	2,977,388	3,165,215	3,825,979	3,877,556
Intergovernmental revenues - unrestricted	3,343,425	3,431,686	3,628,176	3,658,867	3,449,606
Unrestricted investment earnings	730,500	683,727	1,087,659	2,068,237	2,858,980
Miscellaneous revenues	20,265	48,428	105,030	54,863	129,518
Gain 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
Total governmental activities	<u>26,718,086</u>	<u>29,961,550</u>	<u>30,094,273</u>	<u>35,112,431</u>	<u>40,657,196</u>
Business-type activities					
Investment earnings	402,726	311,790	511,054	1,111,333	1,333,466
Gain on sale of capital assets	125,781	84,807	530	35,256	29,527
Special item					
Transfers		(1,917,577)	(1,676,358)	(1,708,000)	(1,763,380)
Total business-type activities	<u>528,507</u>	<u>(1,520,980)</u>	<u>(1,164,774)</u>	<u>(561,411)</u>	<u>(400,387)</u>
Total primary government	<u>27,246,593</u>	<u>28,440,570</u>	<u>28,929,499</u>	<u>34,551,020</u>	<u>40,256,809</u>
Change in Net Assets					
Governmental activities	6,084,513	7,640,412	7,429,486	10,299,637	8,223,922
Business-type activities	580,525	1,550,111	1,501,518	5,155,585	3,112,417
Total primary government	<u>\$ 6,665,038</u>	<u>9,190,523</u>	<u>8,931,004</u>	<u>15,455,222</u>	<u>11,336,339</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			
2008	2009	2010	2011
19,415,799	19,729,516	19,418,905	17,872,322
4,170,227	4,476,921	4,846,484	5,208,481
1,949,641	2,016,132	1,440,033	1,319,318
1,404,690	1,393,025	1,396,616	1,386,067
274,487	247,021	270,748	243,716
3,740,236	3,971,657	3,498,659	3,474,511
3,160,311	2,863,565	2,825,967	2,847,318
2,043,294	1,345,826	542,317	371,937
45,489	17,461	44,415	171,799
-	88,496	-	4,718
1,964,530	1,983,370	1,986,000	1,987,500
<u>38,168,704</u>	<u>38,132,990</u>	<u>36,270,144</u>	<u>34,887,687</u>
831,090	566,730	258,101	186,018
-	136,219	17,936	53,633
(458,108)	-	-	-
<u>(1,964,530)</u>	<u>(1,983,370)</u>	<u>(1,986,000)</u>	<u>(1,987,500)</u>
<u>(1,591,548)</u>	<u>(1,280,421)</u>	<u>(1,709,963)</u>	<u>(1,747,849)</u>
<u>36,577,156</u>	<u>36,852,569</u>	<u>34,560,181</u>	<u>33,139,838</u>
2,351,184	245,465	(1,618,387)	236,184
<u>4,762,365</u>	<u>7,046,056</u>	<u>8,129,491</u>	<u>7,487,766</u>
<u>7,113,549</u>	<u>7,291,521</u>	<u>6,511,104</u>	<u>7,723,950</u>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
General fund					
Reserved	\$ 3,672,155	3,726,578	3,974,214	3,851,388	817,651
Unreserved	1,154,208	2,114,052	3,140,889	5,561,460	12,119,520
Non-spendable	N/A	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A	N/A
Total general fund	\$ 4,826,363	5,840,630	7,115,103	9,412,848	12,937,171
All other governmental funds					
Reserved					
Special revenue funds	\$ -	208,218	211,284	179,187	18,625
Capital projects funds	13,701,547	13,327,848	17,068,197	19,890,914	4,645,715
Debt service funds	1,320,027	1,210,197	1,420,125	1,420,125	1,707,311
Unreserved					
Special revenue funds	997,805	1,933,014	2,794,174	3,594,431	5,226,704
Capital projects funds	3,412,003	2,958,089	3,137,595	(362,701)	12,533,664
Debt service funds	-	349,416	260,260	457,518	494,714
Non-spendable	N/A	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A	N/A
Total other governmental funds	\$ 19,431,382	19,986,782	24,891,635	25,179,474	24,626,733

Fiscal Year				
2007	2008	2009	2010	2011
882,906	535,922	442,112	420,844	N/A
15,454,863	14,774,120	16,151,990	17,052,805	N/A
N/A	N/A	N/A	N/A	150,464
N/A	N/A	N/A	N/A	13,791
N/A	N/A	N/A	N/A	3,528,888
N/A	N/A	N/A	N/A	46,284
N/A	N/A	N/A	N/A	15,508,265
<u>16,337,769</u>	<u>15,310,042</u>	<u>16,594,102</u>	<u>17,473,649</u>	<u>19,247,692</u>
89,364	215,821	29,839	10,731	N/A
5,999,449	6,720,843	1,145,643	1,225,757	N/A
1,725,940	1,486,456	1,420,125	1,560,104	N/A
5,578,047	5,616,572	5,086,904	5,317,018	N/A
12,088,406	8,192,774	16,308,321	15,809,889	N/A
737,263	978,483	1,282,620	1,884,501	N/A
N/A	N/A	N/A	N/A	121,462
N/A	N/A	N/A	N/A	12,973,784
N/A	N/A	N/A	N/A	3,928,985
N/A	N/A	N/A	N/A	6,715,447
N/A	N/A	N/A	N/A	-
<u>26,218,469</u>	<u>23,210,949</u>	<u>25,273,452</u>	<u>25,808,000</u>	<u>23,739,678</u>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Taxes	\$ 19,020,097	20,653,811	21,642,718	23,305,625	25,601,739
Licenses, permits, fees, and assessments	2,881,466	2,687,224	3,092,953	2,931,552	3,787,831
Intergovernmental	8,067,873	5,254,668	5,558,406	8,015,980	16,974,405
Charges for services	1,337,358	1,506,150	1,692,378	2,009,871	1,824,433
Charges to other funds	4,125,700	4,459,952	3,713,502	3,748,880	3,806,515
Fines and forfeitures	260,495	410,760	348,265	553,888	578,562
Impact fees/special assessments	509,215	379,159	272,764	368,576	710,951
Interest	833,326	678,041	626,030	971,187	1,833,114
Contributions	-	141,580	111,169	263,988	70,505
Miscellaneous	574,301	561,071	1,065,765	432,022	1,159,105
Total Revenues	<u>37,609,831</u>	<u>36,732,416</u>	<u>38,123,950</u>	<u>42,601,569</u>	<u>56,347,160</u>
Expenditures					
General government	7,916,054	6,568,239	7,555,904	7,516,247	15,131,257
Public safety	12,708,737	13,944,299	14,990,292	17,606,607	18,988,238
Physical and economic environment	1,688,135	1,005,981	948,272	1,333,438	1,734,495
Transportation	-	2,729,772	1,911,489	1,351,547	1,421,391
Culture and recreation	4,676,969	4,715,056	4,959,763	5,289,131	5,352,049
Capital outlay	6,297,839	6,838,305	3,224,855	6,621,225	11,043,085
Debt service					
Principal	1,268,084	3,071,257	1,083,379	978,603	994,107
Interest and fiscal charges	1,299,815	1,215,697	1,118,359	995,570	933,536
Total Expenditures	<u>35,855,633</u>	<u>40,088,606</u>	<u>35,792,313</u>	<u>41,692,368</u>	<u>55,598,158</u>
Excess (deficit) of revenues over (under) expenditures	<u>1,754,198</u>	<u>(3,356,190)</u>	<u>2,331,637</u>	<u>909,201</u>	<u>749,002</u>
Other Financing Sources (uses)					
Debt issued	-	5,925,000	3,170,000	-	-
Payments to escrow agents	-	(2,965,529)	(5,021,684)	-	-
Payments to current refund debt	-	-	-	-	-
Transfers in	3,861,437	6,931,440	7,961,219	4,906,256	4,797,603
Transfers out	(2,701,577)	(5,273,414)	(6,269,219)	(3,229,898)	(3,068,828)
Sale of capital assets	-	72,636	4,007,373	25	39,102
Total other financing sources (uses)	<u>1,159,860</u>	<u>4,690,133</u>	<u>3,847,689</u>	<u>1,676,383</u>	<u>1,767,877</u>
Net change in fund balance	<u>\$ 2,914,058</u>	<u>1,333,943</u>	<u>6,179,326</u>	<u>2,585,584</u>	<u>2,516,879</u>
Debt Service as a percentage of noncapital expenditures	8.7%	12.9%	6.8%	5.6%	4.3%

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.

(b) In 2009, impact fees and special assessments were reclassified to Permits, Fees, and Assessments.

Fiscal Year				
2007	2008	2009	2010	2011
32,177,018 (a)	27,214,844	27,862,615	27,372,786	26,029,904
3,717,384 (a)	6,953,495 (b)	6,856,060	6,072,977	6,655,012
7,883,654	7,761,199	5,856,457	6,038,913	5,236,599
2,373,059	2,327,605	2,020,389	2,045,248	1,908,981
3,966,100	4,165,504	4,093,450	3,720,709	3,720,708
374,950	405,342	338,037	254,385	232,575
424,364	366,627 (b)	-	-	-
2,603,304	1,806,496	1,216,224	492,471	336,484
59,716	62,715	83,101	211,302	258,985
153,338	73,568	115,701	75,544	177,621
<u>53,732,887</u>	<u>51,137,395</u>	<u>48,442,034</u>	<u>46,284,335</u>	<u>44,556,869</u>
9,591,067	11,377,879	9,688,213	8,620,881	8,307,238
21,481,323	23,479,974	24,792,638	23,680,724	22,062,961
1,579,013	1,813,934	1,775,115	2,024,380	1,945,948
2,820,205	2,046,296	2,116,889	2,246,827	2,191,327
6,313,097	6,920,107	5,996,861	5,433,931	5,302,802
6,768,798	9,542,548	7,053,867	2,303,468	2,830,919
1,070,000	1,125,000	1,497,000	1,612,000	2,222,000
907,878	831,434	1,066,519	957,917	589,568
<u>50,531,381</u>	<u>57,137,172</u>	<u>53,987,102</u>	<u>46,880,128</u>	<u>45,452,763</u>
<u>3,201,506</u>	<u>(5,999,777)</u>	<u>(5,545,068)</u>	<u>(595,793)</u>	<u>(895,894)</u>
-	-	6,860,000	-	17,094,000
-	-	-	-	(8,285,998)
-	-	-	-	(10,186,000)
5,944,576	4,720,949	12,714,292	5,766,183	5,705,136
(4,181,196)	(2,756,419)	(10,818,965)	(3,780,183)	(3,762,476)
27,448	-	136,304	23,888	36,953
<u>1,790,828</u>	<u>1,964,530</u>	<u>8,891,631</u>	<u>2,009,888</u>	<u>601,615</u>
<u>4,992,334</u>	<u>(4,035,247)</u>	<u>3,346,563</u>	<u>1,414,095</u>	<u>(294,279)</u>
4.5%	4.1%	5.5%	5.8%	6.6%

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>Utility and communication</u>	<u>Franchise fees</u>	<u>Fuel taxes</u>	<u>Sales and use</u>
2002	\$	10,401,098	4,118,185	2,468,600	2,005,345	2,332,893
2003		11,674,715	4,314,896	2,612,851	2,044,949	2,560,660
2004		13,029,256	3,904,133	2,959,293	1,731,941 (c)	2,596,520
2005		14,404,764	4,149,829	3,141,721	1,585,816	2,624,802
2006		15,926,721	4,269,042	3,792,489	1,579,996	2,651,227
2007		20,779,629	4,218,209	3,877,556	1,532,580	2,455,218
2008		19,415,799	4,170,227	3,740,236	1,404,690	2,196,319
2009		19,729,516	4,476,921	3,971,657	1,393,025	1,927,205
2010		19,418,905	4,846,484	3,498,659	1,396,616	1,896,824
2011		17,872,322	5,208,481	3,474,511	1,386,067	1,911,574
Change 2002-2011		71.8%	26.5%	40.7%	-30.9%	-18.1%

Source: City of Naples Finance Department

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

Notes:

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

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

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

<u>Other</u>	<u>Total</u>
767,934	22,094,055
782,765	23,990,836
835,166	25,056,309
1,003,374	26,910,306
2,758,977 (d)	30,978,452
2,763,432	35,626,624
2,913,633	33,840,904
2,263,153	33,761,477
2,535,655	33,593,143
2,487,454	32,340,409
223.9%	46.4%

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)
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
2009	16,903,766,419	400,795,472	342,706,664	16,961,855,227
2010	15,962,605,246	421,136,474	311,015,976	16,072,725,744
2011	14,627,069,353	419,030,702	185,960,906	14,860,139,149

Source: Collier County Tax Appraiser

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

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

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

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

Final taxable value	Total direct tax rate	Market/Just value	Actual taxable value value as a percentage of market/just value
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%
17,246,749,629	1.1663	21,642,182,442	78.374%
16,287,802,409	1.2175	19,738,257,718	81.429%
14,976,570,653	1.1800	17,719,816,637	83.862%

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
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
2009	1.1315	0.0348	1.1663	0.0635	3.4221	0.2500
2010	1.1800	0.0375	1.2175	0.0720	3.5938	0.2500
2011	1.1800	0.0395	1.2195	0.0826	3.5645	0.2500

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
-	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
0.1500	4.9090	0.2549	0.0293	0.2265	10.4716
-	5.2390	0.2549	0.0293	0.2265	10.8830
-	5.6990	0.2549	0.0293	0.2265	11.3263

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

Taxpayer	2011			2002		
	Taxable assessed value	Rank	Percentage of total assessed value	Taxable assessed value	Rank	Percentage of total assessed value
Florida Power & Light Company	\$ 112,583,930	1	0.75%	23,326,483	3	0.27%
Coastland Center LP	67,717,247	2	0.45%	80,560,860	1	0.95%
Sandra Gerry	47,152,489	3	0.31%	1,561,800	10	0.02%
Gardner and Jane Larned	33,192,174	4	0.22%			
Westbury Properties Inc.	31,099,913	5	0.21%	19,261,014	5	0.23%
Arthur Allen Jr.	27,228,893	6	0.18%			
Judith Herb Trust	26,281,009	7	0.18%			
Centurylink	22,885,324	8	0.15%			
Susan McCurry Trust	22,536,592	9	0.15%			
Linda Buananno Trust	21,981,031	10	0.15%			
Panthers RPN Limited				20,339,750	4	0.24%
Sprint-Florida Incorporated				27,657,121	2	0.33%
Regent Inc.				17,577,082	6	0.21%
Naples Hospitality LTD Partnership				17,500,218	7	0.21%
Heritage Realty Mgt. Inc.				17,398,687	8	0.20%
Estuary at Grey Oaks Ltd.				17,107,642	9	0.20%
	\$ <u>412,658,602</u>		<u>2.76%</u>	<u>242,290,657</u>		<u>2.85%</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	
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	14,404,764	96.6%	-
2006	16,501,506	15,918,137	96.5%	8,584
2007	21,488,943	20,765,644	96.6%	13,985
2008	20,093,536	19,393,704	96.5%	13,308
2009	20,402,060	19,723,805	96.7%	7,470
2010	20,089,045	19,414,761	96.6%	-
2011	18,522,784	17,863,586	96.4%	8,736

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>
10,401,098	96.6%
11,674,715	96.3%
13,029,256	96.6%
14,404,764	96.6%
15,926,721	96.5%
20,779,629	96.7%
19,407,012	96.6%
19,731,275	96.7%
19,414,761	96.6%
17,872,322	96.5%

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
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
2009	3,170,000	8,405,000	11,113,000	30,121,256	2,557,149	350,000
2010	2,700,000	7,895,000	10,481,000	28,046,845	2,377,508	300,000
2011	2,205,000	-	15,662,000	25,909,043	2,192,383	255,000

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.

<u>Total primary government</u>	<u>Percentage of personal income (a)</u>	<u>Per capita (a)</u>
71,016,183	8.03%	1,770
68,041,813	7.38%	1,649
62,439,866	6.46%	1,449
57,575,709	5.10%	1,147
53,780,590	4.31%	990
54,676,347	4.12%	952
52,473,325	3.77%	849
55,716,405	4.07%	881
51,800,353	3.78%	847
46,223,426	3.94%	771

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

Fiscal year	General Obligation Bonds	Percentage of actual taxable value of property (a)	Per capita (b)
2002	\$ 7,850,000	0.10%	356.06
2003	7,410,000	0.08%	331.65
2004	5,220,000	0.05%	232.59
2005	4,825,000	0.04%	214.54
2006	4,440,000	0.03%	193.30
2007	4,040,000	0.02%	174.88
2008	3,615,000	0.02%	160.27
2009	3,170,000	0.02%	146.41
2010	2,700,000	0.02%	120.59
2011	2,205,000	0.01%	112.86

Notes: Details regarding the City's outstanding debt can be found in the

(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, 2011

	<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	\$ 2,205,000	100.00%	2,205,000
Capital Improvement Note	15,662,000	100.00%	15,662,000
Total direct debt			<u>17,867,000</u>
Overlapping debt (a):			
Collier County (b):			
Conservation Collier	\$ 25,742,004	24.38%	6,274,875
Total overlapping debt			<u>6,274,875</u>
Total direct and overlapping debt			\$ <u>24,141,875</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

Water Revenue Bonds						
Fiscal year	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirement	Coverage	
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	
2009	28,219,062	17,995,779	10,223,283	1,127,899	9.06	
2010	28,303,440	17,224,710	11,078,730	1,127,899	9.82	
2011	29,055,653	23,415,659	5,639,994	1,127,899	5.00	

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

(1) These issues were refunded by the 2010 Capital Improvement Refunding Revenue Note.

Utility Tax Revenue Bonds				Tax Increment Revenue Bonds			
Utility tax collections	Debt service		Coverage	Tax increment revenue	Debt service		Coverage
	Principal	Interest			Principal	Interest	
4,285,595	755,000	657,494	3.03	1,166,200	25,000	132,048	7.43
4,420,958	785,000	583,749	3.23	1,583,361	50,000	130,390	8.78
4,159,640	435,000	546,002	4.24	1,782,759	250,000	211,101	3.87
4,157,163	450,000	525,935	4.26	2,152,936	200,000	202,367	5.35
4,091,549	470,000	504,480	4.20	2,815,241	210,000	194,927	6.95
3,877,556	495,000	481,984	3.97	3,205,099	220,000	187,123	7.87
3,707,751	515,000	460,746	3.80	3,028,298	230,000	179,185	7.40
3,135,961	540,000	438,195	3.21	2,965,522	562,000	412,793	3.04
3,716,989	510,000	390,860	4.13	2,863,692	632,000	425,286	2.71
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

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
2002	22,047	\$ 884,548	40,121	40.5	36,010	4.2%
2003	22,343	922,073	41,269	44.1	37,718	4.7%
2004	22,443	967,181	43,095	45.2	39,821	3.9%
2005	22,490	1,128,908	50,196	45.6	41,588	3.6%
2006	22,970	1,248,117	54,337	44.7	42,775	2.7%
2007	23,101	1,327,060	57,446	45.5	42,062	5.1%
2008	22,556	1,393,690	61,788	45.4	41,666	8.2%
2009	21,651	1,369,989	63,276	46.2	42,786	10.0%
2010	22,390	1,368,953	61,141	47.5	42,098	12.4%
2011	19,537	1,171,927	59,985	56.5	42,430	10.3%

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

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

Employer	2011			2002		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Collier County Public Schools	5,446	1	17.3%	3,393	1	14.6%
NCH Healthcare System	3,725	2	11.8%	2,317	3	10.0%
Collier County Government	1,727	3	5.5%	2,784	2	12.0%
Collier County Sheriff	1,387	4	4.4%	1,076	4	4.6%
Home Depot	1,012	5	3.2%	-		
Ritz-Carlton Hotel	743	6	2.4%	758	5	3.3%
Naples Grande Beach Resort	605	7	1.9%	600	6	2.6%
City of Naples	449	8	1.4%	493	7	2.1%
Naples Beach and Tennis Club	423	9	1.3%	491	8	2.1%
Collier County Health Department	235	10	0.7%	186	10	0.8%
Bentley Resort	-			475	9	2.0%
Other employers	15,814		50.1%	10,605		45.8%
Total	31,566		100.0%	23,178		100.0%

Sources: U.S. Bureau of Labor Statistics
Employer Historical Records

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

Function/Program	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Mayor and Council	1.0	1.0	1.0	1.0	1.0
City Clerk	8.0	7.0	8.0	8.0	8.0
City Attorney	1.0	1.0	1.0	1.0	1.0
City Manager	5.0	4.0	3.0	4.0	4.0
Human Resources	7.0	7.0	7.0	7.0	7.0
Planning & Code Enforcement	8.0	8.0	7.0	10.0	10.0
Engineering	10.0	10.0	(b)	(b)	(b)
Building & Zoning	(a)	(a)	(a)	(a)	(a)
Finance	19.8	20.8	21.8	20.8	21.8
Community Services	51.0	50.0	43.0	42.0	42.0
Police and Emergency Services					
Police	115.7	111.7	111.7	111.7	111.7
Fire	55.0	59.0	59.0	59.0	59.0
Natural Resources	2.0	2.5	(c)	(c)	(c)
Non-Departmental	10.0	10.0	10.0	10.0	10.0
Water and Sewer Fund	93.5	94.0	96.0	99.5	99.5
Solid Waste Fund	30.0	26.0	25.0	25.0	25.0
Streets and Traffic Fund	5.0	5.0	5.0	5.5	5.5
Stormwater Fund	7.0	7.0	7.0	5.5	5.5
City Dock Fund	5.0	4.0	5.0	5.0	5.0
Tennis Fund	6.0	6.2	4.0	4.0	4.0
Beach Fund	13.3	12.6	13.1	14.1	14.1
Information Services Fund	10.0	10.0	11.0	11.0	11.0
Equipment Services Fund	11.0	11.0	11.0	11.0	11.0
Risk Management Fund	1.0	2.0	2.0	2.0	2.0
Building Permit Fund	24.5	24.5	27.5	26.0	26.0
Community Redevelopment	2.5	3.5	3.5	6.0	6.0
Construction Management	(b)	(b)	8.0	8.0	8.0
TOTAL EMPLOYEES	502.3	497.8	490.6	497.1	498.1

Source: City of Naples Finance Department

- Notes:**
- (a) Reclassified from the General Fund to the Building Permit Fund starting in 1999.
 - (b) Reclassified from Engineering in the General Fund to the Construction Management Fund.
 - (c) Reclassified to Community Services in the General Fund.
 - (d) Reclassified from Community Services to City Manager in the General Fund.
 - (e) Fund eliminated in 2009.
 - (f) Reclassified from Nonoperating to Community Services in the General Fund.

Fiscal Year				
2007	2008	2009	2010	2011
1.0	1.0	1.0	1.0	1.0
8.0	8.0	8.0	6.0	6.0
1.0	1.0	1.0	1.0	1.0
4.0	4.0	7.0	6.7	8.9
7.0	7.0	6.0	5.0	4.0
10.0	10.0	5.0	5.0	4.0
(b)	(b)	(b)	(b)	(b)
(a)	(a)	(a)	(a)	(a)
21.8	21.8	21.8	19.8	19.8
47.5	45.5	36.0	30.0	41.0
111.7	111.7	109.7	104.4	98.4
61.0	61.0	61.0	61.0	63.0
(c)	(c)	(d)	(d)	(d)
12.0	12.0	12.0	11.0	(f)
96.0	100.0	95.0	98.0	97.0
29.0	29.0	28.0	24.0	25.5
5.5	5.5	7.5	7.5	7.5
5.5	6.0	5.5	6.0	6.0
5.0	5.0	4.0	3.0	2.6
4.0	4.0	4.0	4.0	4.0
14.3	13.8	12.8	12.8	13.0
11.0	11.0	10.0	10.0	10.0
11.0	11.0	10.0	8.5	8.5
2.0	2.0	1.0	1.0	1.0
28.0	27.0	26.0	17.5	17.5
9.0	9.0	9.0	8.3	8.3
8.0	8.0	(e)	(e)	(e)
<u>513.3</u>	<u>514.3</u>	<u>481.3</u>	<u>451.5</u>	<u>448.0</u>

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

Function/Program	Fiscal Year				
	2002	2003	2004	2005	2006
General government					
Commercial Permits Issued	308	239	247	221	251
Residential Permits Issued	782	831	974	1,050	1,113
Police					
Physical arrests	1,152	1,273	1,138	1,234	972
Parking violations	17,767	17,238	16,692	16,631	15,307
Traffic violations	10,652	11,446	9,183	8,587	10,974
Fire					
Emergency responses	4,498	4,548	4,696	4,654	4,487
Fires extinguished	52	64	65	56	53
Inspections	5,011	5,979	7,120	7,154	6,337
Refuse collection					
Refuse (tons per day)	124	122	125	118	129
Recyclables (tons per day) (a)	N/A	N/A	8	9	10
Other public works					
Street resurfacing (miles)	4	3	3	1	2
Potholes repaired (b)	12	10	2	22	65
Parks and recreation					
Special events - participants (c)	1,001	1,101	1,313	1,130	571
Beach parking permits issued (d)	18,945	16,297	23,082	21,309	21,236
Camps, classes - participants	187	194	621	770	725
Water					
New connections	300	190	262	249	133
Water main breaks	24	23	9	16	13
Average daily consumption (millions of gallons)	18.5	17.1	17.5	16.9	17.8
Peak daily consumption (millions of gallons)	24.0	22.5	23.5	21.3	22.4
Wastewater					
Average daily sewage treatment (thousands of gallons)	6,900	7,080	6,800	7,240	6,830

Sources: Various City Departments

Notes: (a) The City contracted for recycle prior to 2004.
(b) This number represents the number of work orders given to patch hole contractor.
(c) Riverside Park, Outdoor Movie Nights and Cameron Park Art Festivals increased in this period
(d) The City no longer issues County beach parking permits.

Fiscal Year				
2007	2008	2009	2010	2011
247	280	268	237	182
1,317	1,164	1,994	828	961
875	965	3,164	658	465
14,253	14,439	15,105	15,985	14,351
9,706	9,843	11,087	7,601	5,641
4,490	4,437	4,810	4,423	4,812
54	49	70	61	97
6,510	6,427	5,200	8,412	6,557
124	114	119	101	103
13	15	14	10	12
2	15	11	9	9
72	75	59	73	98
675	712	759	980	3,501
22,329	20,410	15,921	N/A	N/A
883	897	943	850	876
133	116	109	70	93
21	22	68	16	12
15.3	15.3	16.0	14.7	15
23.3	21.2	20.4	19.2	18
7,135	6,673	6,720	6,330	5,852

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

Function/Program	Fiscal Year				
	2002	2003	2004	2005	2006
Police					
Number of employees	123	122	122	121	120
Demand for services	36,669	38,095	54,710	56,393	68,365
Fire Stations	3	3	3	3	3
Refuse collection trucks	29	25	25	25	27
Other public works					
Streets (miles)	106	106	106	106	106
Streetlights	2,370	2,370	2,370	2,370	2,370
Traffic signals	47	47	47	47	47
Parks and recreation					
Swimming pools	1	1	1	1	1
Community centers	3	3	3	3	3
Pier	1	1	1	1	1
Dock	1	1	1	1	1
Water					
Active accounts	17,196	17,311	17,520	17,697	17,718
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	30	30	30	30	30
Sewer					
Active accounts	8,637	8,602	8,614	8,638	8,651
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	10	10	10	10	10

Sources: Various City Departments

Fiscal Year				
2007	2008	2009	2010	2011
124	115	110	104	98
60,908	58,658	55,580	48,192	45,764
3	3	3	3	3
27	25	24	25	25
106	106	108	108	108
2,371	2,371	2,375	2,390	2,390
47	47	44	44	44
1	1	1	1	1
3	3	3	3	3
1	1	1	1	1
1	1	1	1	1
17,723	17,717	17,781	16,495	16,545
1	1	1	1	1
30	30	30	30	30
8,647	8,645	9,052	8,814	9,253
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, (the "City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 13, 2012. 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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of City Council, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 13, 2012

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of the City of Naples, Florida, (the "City"), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated March 13, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated March 13, 2012, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. All prior year findings have been corrected.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- 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 have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. 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 this management letter, unless disclosed in the notes to the financial statements. The City 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 City did not meet any of the conditions described in the statute.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to 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 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 13, 2012