

City of Naples, Florida



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Comprehensive Annual Financial Report

For the Year Ended September 30, 2012

THE CITY OF NAPLES, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2012
(With Independent Auditor's Report Thereon)

Prepared By:
FINANCE DEPARTMENT

City of Naples



Principal Officers

September 30, 2012



Back Row: Vice-Mayor Gary B. Price, Councilmember Doug Finlay, Mayor John F. Sorey III, Councilmember Sam Saad, City Manager Bill Moss, Attorney Robert Pritt

Front Row: Councilmember Teresa Heitmann, City Clerk Patricia L Rambosk, Councilmember Margaret “Dee” Sulick, Councilmember Bill Barnett

Department Directors

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

Roger Reinke
Paul Bollenback
David M. Lykins
Ann Marie S. Ricardi
Stephen R. McNerny II
Denise K. Perez
Robin D. Singer
Thomas Weschler
Gregg Strakaluse
Stephen A. Weeks

CITY OF NAPLES, FLORIDA

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City of Naples

FINANCE DEPARTMENT
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April 5, 2013

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, 2012, 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 Maudlin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2012, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City of Naples' financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

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 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 is known for its world-class shopping and exceptional dining opportunities.

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

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

The City 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
John Sorey III, Mayor	February 2016
Gary B. Price II, Vice Mayor	February 2014
Bill Barnett	February 2016
Douglas Finlay	February 2014
Teresa Heitmann	February 2016
Sam Saad III	February 2014
Margaret “Dee” Sulick	February 2016

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

The Reporting Entity and its Services

The City provides a full range of municipal services authorized by statute and local charter. These include police and fire services, streets, sidewalks, 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 provides the source of revenue for the Community Redevelopment Agency.

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

Accounting System and Budgetary Control

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

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

As a recipient of Federal, State and County financial assistance, the government is 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. The proposed budget is presented and discussed during August and September, and the budget is adopted by ordinance in September.

The adopted budget may be amended in two ways.

1. The budget ordinance authorizes the City Manager to transfer money within a fund, except that he cannot increase regular staffing levels or modify the intent of the Capital Improvement Budget.
2. Changes that would increase the total budget of a fund, increase staffing levels, or modify the intent of the Capital Improvement Budget must have City Council approval by resolution.

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 the expenditure requiring the budget amendment and source of funds for the amendment. 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 account names, numbers, and reporting purposes. During the course of the year, budgetary control was maintained over appropriations by use of on demand and quarterly revenue and expenditure reports that compare budgeted appropriations with actual expenditures and encumbrances and estimated revenues with actual revenues. In the integrated automated financial system, a purchase order is required prior to committing funds. The City's automated enterprise software system verifies the availability of funds prior to issuance of a purchase order. Budgetary control is maintained at the fund level.

Factors Affecting Financial Condition

Local Economy

Each fiscal year provides the City an opportunity to identify, address, and resolve issues facing our community, our residents and our guests.

With the City near build-out, the major challenge is to preserve and maintain the City's infrastructure and services in the manner in which the citizens and guests have become accustomed. This quality of life attracted considerable growth to our community in years past, and has become the definition of the City. High quality support systems such as transportation, stormwater management, potable (drinking) water, wastewater treatment, and solid waste collection must be balanced carefully with the quality of life amenities, such as parks, recreation, entertainment, and cultural opportunities. For Naples, being on the edge of the dramatic Everglades to the east and the awe-inspiring Gulf of Mexico to the west, provides an atmosphere of resort living in the middle of nature.

For many years, the City of Naples enjoyed a stable, sometimes booming, economic environment. The economic challenges that began to affect the nation in 2007-2008 also presented economic challenges to the City of Naples, as income and property values declined, while unemployment rates rose. Naples has a relatively undiversified trade and industry base that depends on tourism as well as retail, construction and health care. Despite the economic slide, the charm that brought people to the City during the good times kept many coming back in the economic downturn. The City felt the financial pinches of the economic downturn, including declining property values, but still needed to provide the levels of service to residents and visitors.

Fiscal year 2011-2012 represented the fifth year of governmental cutbacks and expenditure reductions to address the effects 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, and a long-term downturn in the economy affected revenues and ultimately would affect the levels of services provided.

Because of the decline in taxable values, decisions had been made over the past several years to reduce the cost of government. Changes included eliminating positions, revamping the health insurance programs, refinancing debt, and reducing overall operating expenditures. More than 60 positions were eliminated since 2007-2008.

Although Naples' taxable value suffered a decline as part of the overall national economic crisis, the depth was not as severe as other areas, and the recovery can be seen in the community through increased building permits, increased home sales, and an increase in the taxable value. As of September 2012, the taxable value of the City was \$14.983 billion, compared to the 2010 valuation of \$14.557 billion, an increase of 2.9% over the prior year, the first increase after four years of decline.

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 City is limited by the Constitution of the State of Florida to an ad valorem tax levy of ten mills on each dollar of assessed valuation for operating expenditures. At 1.1800 mills, Naples' ad valorem tax remains significantly below the maximum allowed.

The Building Department issued 153 new single-family building permits in 2012, a significant increase in comparison to the 118 permits issued in 2011, but still lower than the peak years ending in 2005, with more than 200 single-family permits issued that year.

For 2011 (the most current available data), the U.S. Census Bureau estimated Naples' per capita income at \$82,316, compared to the national average of \$27,915 and the state average of \$26,773. Collier County's estimated per capital income is \$37,335.

Long-term Financial Planning

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

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

Annually, shortly after each fiscal year end, the Finance Department prepares a General Fund Five-Year Sustainability Report. This report, which combines fact with projections, identifies the potential fiscal shortfalls in the next five years. 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 09-12512, which amended and updated the City's financial policies. These policies covered five major areas: Budgetary and Financial Planning; Financial Reporting; Capital Improvement; Debt Management; Investments and Fund Balance. These were subsequently amended in 2012, retroactively to September 30, 2011, to have the Fund Balance Policy reflect the requirements of GASB 54.

The financial policies exist to demonstrate that the City is committed to strong financial operations and to provide a strong precedent for future policy makers and financial managers regarding the City's financial goals. During 2011-2012, 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 City's distinctive character and culture.

Residents and visitors alike recognize the ambiance created by the tree-lined streets of Naples. For the fifteenth consecutive year, the City of Naples received the Tree City U.S.A. designation. For the fifth consecutive year, the City of Naples received a Tree City U.S.A. Growth Award. In addition, the City was selected the winner of the 2011 Friends of our Urban Forest Awards Program in the category of Outstanding Urban Forestry Program—Small Community. The awards selection committee felt that the City of Naples' program efforts stood above all other applicants in exemplifying excellence in Urban Forestry throughout the State of Florida. The award was presented in February 2012. During the year, the Parkways Division planted 73 trees and palms as part of the fiscal year Tree Fill-in Program, and a total of 11 Royal Palms were accepted as a part of the City's Tree Donation Program.

The Community Services Department facilitated the staging of two CityFest events in downtown Naples, May 4-13, 2012, and October 20-31, 2012. CityFest is a collaborative effort conceptualized by City Council, encouraging "shop local" incentives promoted throughout the five Naples Downtown City Districts: Fifth Avenue South, Third Street South, Crayton Cove, Waterfront and 10th Street Design District. The Districts offered Concerts, Art Shows, Gala Fundraising Events, Wine Tastings, Fitness Competitions, International Cuisine, and Entertainment. CityFest captured an estimated audience of nearly 50,000 tourist and residential spectators and was staged through private business participation with no funding from the City.

The Community Services Department—Recreation Division continued to provide a wide variety of recreational opportunities for residents of all ages, integrating exercise as well as social and cultural pursuits. The Norris Center at Cambier Park remains known for the variety of cultural programs that are offered such as the Bluewater Bluegrass and Acoustic Series, Comedy Series, Paradise Coastmen Barbershop Chorus, Musical Entertainment from the 50's and 60's and other performers from around the country. The Norris Center is also the home of Gulfshore Playhouse. Last year this group saw 13,016

patrons, a 29% increase over the previous year. Patrons attending Gulfshore Playhouse productions accounted for nearly three-quarters of a million dollars being spent in the City on auxiliary services such as shopping and dining, based on national averages. Two of the shows consecutively broke box office records.

The New River Park Aquatic Center opened on September 26, 2012. Features include year round hours of operation, six-lane lap pool that connects to a teaching pool and a catch pool for the ten foot high, 360 degree water slide which leads to a beach entry pool with kid's interactive feature. The water temperatures are maintained between 72-78 degrees. The bath house offers two family restrooms, men's and women's restrooms, showers, and a large shaded pavilion with ceiling fans and vending machines. The Center received private donations totaling \$105,000 from the following contributors to fund construction costs:

- The Sample Foundation and Joseph Sample
- Mary Watkins, Henry Watkins, Michael Watkins and Ellin Goetz
- Lois and Bruce Selfon
- Bill Barnett
- The Community Foundation of Collier County
- The Martin Foundation

Other City operated facilities provide an abundance of activities to entertain residents and visitors. Cambier Park hosts a variety of outdoor concerts; the Arthur L. Allen Tennis Center sponsors numerous events and camps; the Naples Preserve offers nature talks and "Eco Tours" with activities that included the monitoring of adult gopher tortoises and new hatchlings; Fleischmann Park offers popular adult and afterschool programs; the Edge "Johnny Nocera" Skate Park provides a venue for skate board enthusiasts; and the Naples Pier had nearly one million visitors.

The City's Code Enforcement Division processes over 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.

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

Crime statistics reporting complies with Federal and State Uniform Crime Reporting (UCR) requirements. The objective of the UCR program is to produce reliable crime statistics for law enforcement administration, operation, and management. This information is used to measure the fluctuations in the type and volume of crime, based on the eight most serious offenses. Careful analysis of the data is done monthly throughout the year, with concentrated reviews of semi-annual and annual results. As part of these reviews, operational strategies are evaluated and target specific plans are implemented as a response to emerging crime trends. Serious crimes (UCR Part 1 crimes) decreased 15% in FY 2012 when compared to FY 2011. While the overall clearance rate for Part 1 crimes decreased from 43.0% to 40.3%, the Naples Police Department exceeds the State average (24%) by more than 16%, and the average for all of Collier County (28%), by more than 12%.

The Police Department handled 66,622 total incidents, an increase of 16% from the 57,602 incidents handled in FY 2011, as measured in the Computer Aided Dispatch (CAD) system. The Florida standard for dispatch centers is to answer 90% of all 911 calls in 10 seconds or less. The Naples Communications Division exceeded this standard by answering 97.81% of all 911 calls in 10 seconds or less. The Insurance

Services Office (ISO) standard is answering 95% of all 911 calls in 15 seconds or less. The City's dispatch center exceeded that by answering 99.66% of all 911 calls in that time frame.

The Fire Department responded to 4,812 Fire/Rescue calls (Fires, Fire Service, Rescue/EMS, and False Alarm calls) in calendar year 2011, compared to 4,423 in 2010. Through November 30, 2012, the Department responded to 4,415 total calls. Through November 30, 2012, 89 fires were recorded, compared to a total of 97 fires recorded in the 12 months encompassing calendar year 2011.

On January 18, 2012, a new park was added with City Council approval of an application from a City resident requesting consideration for the naming of the ROW along the east side of 755 East Lake Drive, including a small stormwater retention lake of 11,250 square feet. The lake is part of the South Florida Water Management Environmental Resources Permit for stormwater drainage in Basin III. The request created a small Mini-Park named for former Community Services Advisory Board Chair Ms. Lois Selfon.

Vision Goal: Maintain and enhance governance capacity for public service and leadership.

The City achieved the Family Friendly Workplace designation by the Naples Alliance for Children for the 14th consecutive year. This award is given to agencies that have policies and programs in place to assist employees in taking an active part in raising their children. Some of these policies and programs include: flexible work schedules, employee benefits, employee assistance programs, disaster plans, and sick leave/personal leave plans.

The Human Resources Department developed and implemented a Wellness Incentive Program with wellness based health targets and an on-line Health Risk Assessment process. Additional wellness activities included a 24-week Weight Watchers at Work program and a series of wellness/nutrition seminars that were offered throughout the year. These programs are meant to help employees remain fit, reduce absence and injury, and improve the efficiency and effectiveness of staff. Work hours lost due to injury were reduced by 64% over the fiscal year. The ultimate goal is to provide the best service to the residents of the City of Naples.

The Police Department conducted the first Naples Police Department Citizens Police Academy. The initial class consisted of 21 individuals, 20 of whom were City residents. During the 11-week program, the participants were provided with an overview of patrol operations, criminal investigations, SWAT, K-9, crime scene investigation procedures, and other specialty services provided by the Police Department. The students also participated in ride-alongs with patrol and marine officers, as well as tactical decision making and emergency driving scenarios. The Police Department received highly positive feedback from participants.

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 2011-2012 received the GFOA's Distinguished Budget Presentation Award for the seventh time. In order to qualify for the Distinguished Budget Presentation Award, the budget had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Naples, Florida, for the Annual Financial Report for the fiscal year ended September 30, 2011.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to industry standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

Respectfully submitted,



A. William Moss
City Manager



Ann Marie S. Ricardi
Finance Director

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, 2011

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.



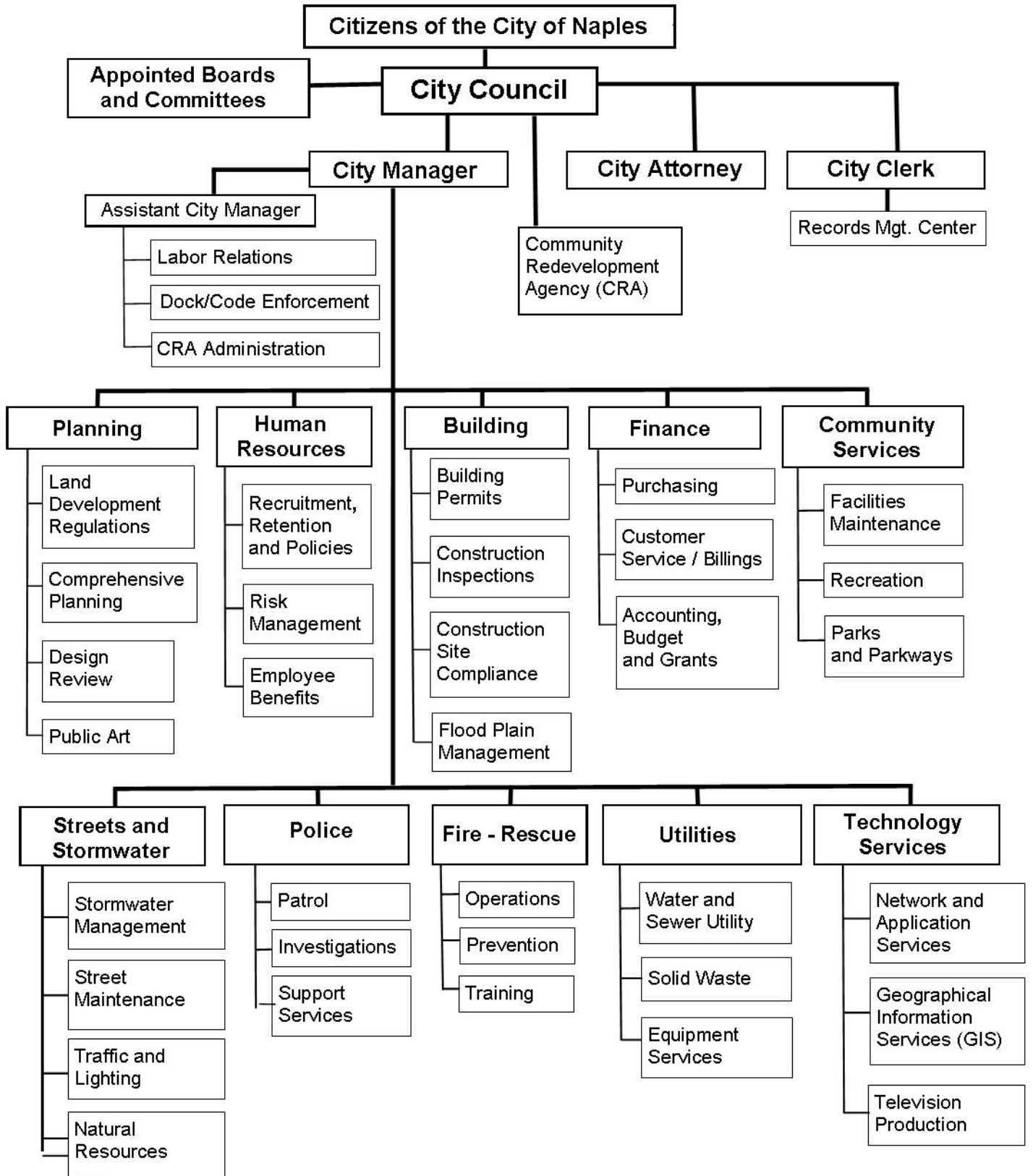
Christopher P. Morrell

President

Jeffrey R. Emer

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, 2012, 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, 2012, 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.

In accordance with Government Auditing Standards, we have also issued our report dated April 5, 2013, 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, 100-104 and 105-108, 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
April 5, 2013

The City of Naples, Florida
Management's Discussion and Analysis
September 30, 2012
(Unaudited)

The City of Naples' (the "City") management's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activities (c) identify changes in the City's financial position and its ability to address the next and subsequent year challenges (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns for the fiscal year ended September 30, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at September 30, 2012, by \$213.5 million (net assets). Of this amount, \$71.6 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 \$9.9 million.
- As of September 30, 2012, the City's governmental activities reported combined ending net assets of \$95 million. This is an increase of \$1 million from the prior year. Approximately 34% of this total is unrestricted.
- The City's total debt decreased by \$4.3 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% of the corresponding total of all funds of that category; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the total for all governmental and enterprise funds combined.

The statement also allows management the flexibility to report funds that do not meet the above criteria but believe the funds have a significant impact on the City. Management determined that four additional funds, the Debt Service Fund, Capital Projects Fund, Community Redevelopment Fund, and Streets and Traffic Fund, were to be included as a major fund, 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 resources measurement focus and the full accrual basis of accounting.

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

Fund Financial Statements

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

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

- **Governmental Funds**—account for the City's tax-supported activities and those supported by other special revenues. These governmental funds include the General Fund, the Debt Service Fund, the Capital Projects Fund, the Community Redevelopment Fund, the Streets and Traffic Fund and other Nonmajor Funds consisting of the Building and Zoning Fund, the Community Development Block Grant Fund, the Improvement Fund, the 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, Port Royal 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 basis of accounting, which measures cash and all other financial assets that can readily be converted to cash (usually 60 day focus). The two criteria used are that the revenue is measurable and available. Examples of the difference between this and the economic resources measurement focus are that debt financing is considered current revenue, and purchases of capital assets are considered expenditures whereas depreciation is not since there is no outlay of cash.

- **Proprietary Funds**—are used to account for the business-type activities of the City. There are two types: Enterprise Funds and Internal Service Funds. The City’s 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. Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. The reconciliations on page 23 and 27 convert this data to an economic resources measurement focus and the accrual basis of accounting for use in the government-wide financial statements.

The total column on the Proprietary Fund financial statements (pages 28–37) is the same as the business-type activities column in 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, 2012, were \$213.5 million. The City's combined revenues, including contributions, grants, charges for services and taxes were \$88.4 million. Total expenses, City-wide were \$78.5 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 55,656	55,026	47,576	44,008	103,232	99,034
Capital assets	64,918	65,251	103,182	100,818	168,100	166,069
Total assets	<u>120,574</u>	<u>120,277</u>	<u>150,758</u>	<u>144,826</u>	<u>271,332</u>	<u>265,103</u>
Long term liabilities outstanding	22,068	23,055	26,036	28,414	48,104	51,469
Other liabilities	3,515	3,190	6,241	6,890	9,756	10,080
Total liabilities	<u>25,583</u>	<u>26,245</u>	<u>32,277</u>	<u>35,304</u>	<u>57,860</u>	<u>61,549</u>
Net assets:						
Invested in capital assets, net of related debt	49,368	47,910	77,345	72,489	126,713	120,399
Restricted	13,460	12,988	1,646	4,070	15,106	17,058
Unrestricted	32,163	33,134	39,489	32,964	71,652	66,098
Total net assets	<u>\$ 94,991</u>	<u>94,032</u>	<u>118,480</u>	<u>109,523</u>	<u>213,471</u>	<u>203,555</u>

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 7% of the total net assets) are subject to external restrictions on how they may be used. The remaining 34% of unrestricted net assets, \$71.7 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 \$9.916 million. Governmental activities increased by \$0.959 million. Business-type activities accounted for \$8.957 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)

	Governmental activities		Business-type activities		Total primary government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 6,397	5,812	41,702	42,444	48,099	48,256
Operating grants and contributions	2,632	2,910	636	622	3,268	3,532
Capital grants and contributions	928	294	3,507	1,726	4,435	2,020
General revenues						
Property taxes	17,391	17,872	-	-	17,391	17,872
Other taxes	8,590	8,158	-	-	8,590	8,158
Franchise fees	3,361	3,475	-	-	3,361	3,475
Intergovernmental revenues	2,807	2,847	-	-	2,807	2,847
Unrestricted investment earnings	238	372	154	186	392	558
Other	46	176	5	54	51	230
Total revenues	<u>42,390</u>	<u>41,916</u>	<u>46,004</u>	<u>45,032</u>	<u>88,394</u>	<u>86,948</u>
Expenses						
General government	5,458	5,623	-	-	5,458	5,623
Public safety	24,400	23,957	-	-	24,400	23,957
Physical and economic environment	3,128	3,239	-	-	3,128	3,239
Transportation	3,356	3,553	-	-	3,356	3,553
Cultural and recreation	6,609	6,851	-	-	6,609	6,851
Interest and fiscal charges	494	444	-	-	494	444
Water and sewer	-	-	23,916	24,300	23,916	24,300
Solid waste	-	-	5,276	5,498	5,276	5,498
Stormwater	-	-	2,464	2,642	2,464	2,642
Other	-	-	3,377	3,117	3,377	3,117
Total expenses	<u>43,445</u>	<u>43,667</u>	<u>35,033</u>	<u>35,557</u>	<u>78,478</u>	<u>79,224</u>
Increase (decrease) in net assets before special items and transfers	(1,055)	(1,751)	10,971	9,475	9,916	7,724
Transfers	2,014	1,987	(2,014)	(1,987)	-	-
Change in net assets	959	236	8,957	7,488	9,916	7,724
Net assets, beginning	94,032	93,796	109,523	102,035	203,555	195,831
Net assets, ending	<u>\$ 94,991</u>	<u>94,032</u>	<u>118,480</u>	<u>109,523</u>	<u>213,471</u>	<u>203,555</u>

The total primary government revenues show a \$1.446 million increase or 1.66% over last year's total revenues. The total business-type activities increased \$0.972 million. Governmental activities show a \$0.474 million increase. The primary reasons for this increase in governmental activity revenue are as follows:

- An increase of \$.585 million occurred in charges for services mainly due to increased revenue in the Building Fund of \$.683 million.
- Investment earnings decreased \$134 thousand or 36% from the prior year, due to the continued low interest rate environment with no higher yield securities remaining in the portfolio.

Business-type activities showed an increase in revenues, increasing \$.972 million or 2.16% over the revenues of 2011. Business-type activity revenue was led by an increase in capital grants and contributions in the amount of \$1.781 million.

The total primary government's expenses decreased \$746 thousand or 0.94%. Governmental activities reported a 0.51% decrease in expenses, with business-type activities reporting a 1.47% decrease. 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 \$43.5 million. As shown in the statement of activities on page 18, the net cost that was ultimately paid through taxes was \$33.49 million. The \$10.5 million of costs for governmental activities not covered by general revenues was provided by:

- \$6.4 million in charges for services, made of \$3.4 million in building/permit fees, \$0.8 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.
- \$2.6 million in operating grants and contributions, including \$1.4 million from Collier County's share of the Community Redevelopment tax increment financing and the remaining from other grants from agencies including FDOT, Tourism Development and Collier County.
- \$0.93 million in capital grants and contributions, which includes \$.59 million from impact fees, and \$0.34 million from general government, community development, public safety and recreation grants.

Table 3

Governmental Activities

(In thousands)

	<u>Total cost of service</u>		<u>Net cost of service</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Public safety	\$ 24,400	23,957	19,171	20,071
Physical and economic environment	3,128	3,239	1,143	690
Transportation	3,356	3,553	3,001	3,225
Cultural and recreation	6,609	6,851	5,062	5,846
All others	5,952	6,067	5,111	4,820
Totals	<u>\$ 43,445</u>	<u>43,667</u>	<u>33,488</u>	<u>34,652</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) totaled \$46 million.

The Water and Sewer Fund represents 71% of the business-type activities' net assets. Total water and sewer operating revenues were down \$793,000 and operating expenses were down \$220,000 from last year. Interest income from all business-type activities showed a 17% decrease over the prior year, due to the continued low yields in the investment market.

City Code allows for Water Sewer Fees and Stormwater Fees to be adjusted automatically, based on the Public Services Commission Deflator Index and the Consumers Price Index, respectively. These small annual increases (1.18% and 3.16%, 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 start on page 20. 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, 2012, the City's governmental funds reported combined ending fund balances of \$42.586 million, a decrease of \$401,000 in comparison with the prior year. Approximately 32.9% of this total (or \$14.018 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted, committed or assigned to indicate that it is not available for new spending. Major restrictions, commitments or assignments include funds: (1) for land conservation (\$.769 million); (2) for capital projects (\$5.167 million); (3) restricted for building and zoning (\$5.598 million); (4) restricted for transportation (\$3.937 million); (5) restricted for economic development (\$2.659 million); (6) to pay for City-wide emergencies (\$3.371 million); (7) to meet debt service requirements (\$1.434 million); and (8) a variety of other restricted, committed, assigned for other purposes (\$4.204 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$14.589 million, while the total fund balance was \$19.570 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 42.8% of the total fiscal year 2012 General Fund expenditures, while total fund balance represents 57.4% of that same amount.

General Fund expenditures were \$779,130 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 community services and non-departmental areas. Community services expended \$384,280 less than the budgeted amount, primarily due to median maintenance supplies and professional services that were \$251,670 under budget and non-departmental was under budget \$347,668.

The City used \$91,110 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 \$322,267 during the fiscal year. The budget was developed as a balanced budget, with revenues equal expenditures, therefore factors in this incline are primarily due to expenditures less than budget, as described above.

The Debt Service Fund has a total fund balance of \$1.434 million which is totally assigned for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was \$3,676. 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 fund capital projects was \$2,260,000.

The Capital Projects Fund has a total fund balance of \$5.926 million of which \$0.391 million is committed for contracts issued, \$5.167 million is assigned for future capital projects, and \$368,314 is nonspendable due to advances owed other funds. Fund balance was reduced \$.376 million dollars due to prior year projects completed in fiscal year 2012.

The fund balance in the Community Redevelopment Fund decreased \$457,523 in 2012 with an ending fund balance of \$2,659,340. The decrease was mainly due to the funding of \$550,000 to the River Park Aquatic facility. As a fund with major capital goals, the fund balance will be directed toward future capital projects identified in the Redevelopment Plan.

The fund balance in the Streets and Traffic Fund decreased \$261,415 in 2012 with an ending fund balance of \$4.024 million. The key factor was the funding by City Council of prior year reserves for ongoing annual overlay program and capital purchases.

The combined fund balances for all governmental (major and non-major) funds decreased by \$401,000 for fiscal year 2012 or 0.93%.

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 \$20.601 million in the Water and Sewer Fund, \$6.343 million in the Solid Waste Fund, \$9.287 million in the Stormwater Fund, \$2.643 million in the Naples Beach Fund, \$380 thousand in the City Dock Fund and \$236 thousand in the Tennis Fund. Other factors concerning these finances have already been addressed in the discussion of the City's 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 \$1,359,157 was attributed to: (a) \$1,354,027 increase in Insurance Premium Tax revenue from the State of Florida for police and fire pensions not in original budget, and (b) \$5,130 increase in intergovernmental grants.

The increase between the General Fund's original appropriations and the final amended budget was \$1,709,323. Of this change: (a) \$91,110 was for prior year commitments; (b) \$1,354,027 was for public safety to provide pension contributions to the police and fire pension funds in the amount of \$519,409 and \$834,618, respectively, and operating expenses of \$5,130; (c) \$259,056 to non-departmental to provide \$110,605 in funding for design services for City Hall air conditioning, \$75,000 for IAFF bargaining costs and \$73,451 for Kronos software.

Capital Assets and Debt Administration

Capital Assets

The City as of year-end had \$168.1 million invested in a variety of capital assets, as reflected in the following table, which represents a net increase (additions less retirements and depreciation) of \$2.03 million or 1.22% 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	
	2012	2011	2012	2011	2012	2011
Land	\$ 11,826	11,826	3,141	3,112	14,967	14,938
Buildings	37,946	37,717	61,518	61,513	99,464	99,230
Improvements other than buildings	35,462	31,890	43,528	42,068	78,990	73,958
Infrastructure	31,809	31,625	88,810	82,816	120,619	114,441
Machinery and equipment	17,434	16,023	18,329	17,063	35,763	33,086
Construction in progress	600	1,039	5,059	3,816	5,659	4,855
Less accumulated depreciation	(70,159)	(64,869)	(117,203)	(109,570)	(187,362)	(174,439)
Totals	\$ 64,918	65,251	103,182	100,818	168,100	166,069

This year's major additions are:

Governmental activities

East Naples Bay dredging	\$ 1,969,661
River Park Aquatic Park	1,528,940
Fire ladder truck	668,579

Business-type activities

Golden Gate Canal	3,353,028
Water transmission mains	690,813
ASR Wellfield	403,516
Basins III and V Stormwater Improvements	887,886
Recycling truck	239,297

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

Debt Outstanding

As of year-end, the City had \$41,387,016 in debt (bonds, notes, etc.) outstanding compared to \$45,670,744 in 2011, a \$4,283,728 (9.38%) decrease.

Table 3
Outstanding Debt at Year-end

	<u>2012</u>	<u>2011</u>
Governmental		
General obligation bonds	\$ 1,690,000	2,205,000
Capital improvement refunding revenue note	14,333,000	15,662,000
Unamortized deferred loss on refunding	(465,248)	(515,545)
Unamortized discount	<u>(7,877)</u>	<u>(10,297)</u>
Subtotal	<u>15,549,875</u>	<u>17,341,158</u>
Business-type		
Public utilities refunding revenue bonds	12,804,000	13,378,961
State revolving loans, water and sewer	10,951,858	12,530,082
State revolving loan, stormwater	2,001,606	2,192,383
Capital improvement refunding revenue note	195,000	255,000
Unamortized deferred loss on refunding	(115,323)	-
Unamortized issuance discount	<u>-</u>	<u>(26,840)</u>
Subtotal	<u>25,837,141</u>	<u>28,329,586</u>
Total	<u>\$ 41,387,016</u>	<u>45,670,744</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 2012, the City Council approved a \$118.9 million budget for fiscal year 2012-2013, approximately \$10.8 million more than the fiscal year 2011-2012 budget. The budget includes \$85 million for operations and \$33.9 million for capital improvements.

The adopted fiscal year 2012-2013 budget continues the City's fiscally conservative approach to budget development, while providing quality services to the citizens. Rather than simply surviving budget reductions, the City has carefully planned and reorganized where possible, focusing on community priorities and looking for innovative approaches. The goal has been to help the City meet the needs of the community despite the challenging national, state and local economy.

The budget for fiscal year 2012-2013 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 2012-2013 budget was balanced using a millage rate of 1.1800, which is 2.2% greater than the rolled back rate of 1.1539. The millage rate has remained the same since 2009-10. For fiscal year 2012-2013, the City eliminated its debt service millage rate of \$.0426, due to the City's intent to pay off the \$1.69 million balance in fiscal year 2012-2013.

The following economic and operating factors were considered in developing the budget for fiscal year 2012-2013:

- After four consecutive years of decline in taxable value, the fiscal year 2012-2013 taxable value increased 2.9% over fiscal year 2011-12 to \$14,982,881,235.
- Revenue from investments is expected to continue to be extremely low due to the continued low interest rates available to the City's investment portfolio.
- Flat growth rates are expected for most other revenue sources.
- The City has five union contracts for its employees. For 2012-2013, a contractual pay raise (2%) was budgeted for the police unions. The AFSCME and OPEIU unions exercised their options to reopen wage sections of their contracts, but a raise was not agreed upon prior to the adoption of the budget. The fire union contract has still not been settled.
- There is no new money debt issues planned in fiscal year 2012-2013, although refinancing will be reviewed for all outstanding issues.
- Capital in the amount of \$33.9 million includes several major projects including a reclaimed water line expansion for \$9 million, an ASR stormwater well for \$2.1 million and the HVAC replacement at City Hall for \$620,000. All will be funded with cash on hand.
- Increased building permit activity resulted in a need to increase that fund's staffing by 5.75 positions.
- There was a net increase of 6.25 positions City-wide over the 2011-2012 budget.

The same interest rate environment that makes the investment portfolio perform poorly has enabled the City to find some minor savings in refinancing the City's debt. In 2011-2012, the City took advantage of the low interest rate environment and refinanced the 2007A and 2007B Water and Sewer bonds, with rates of 3.84% and 3.62% being lowered to 2.65% and 2.54%, for an annual savings of \$83,000.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF NAPLES, FLORIDA

Statement of Net Assets

September 30, 2012

Assets	Primary Government		
	Governmental activities	Business-type activities	Total
Cash and investments	\$ 51,561,740	37,112,719	88,674,459
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	457,106	4,688,478	5,145,584
Special assessments	111,067	103,063	214,130
Utility taxes	214,812	-	214,812
Miscellaneous	6,325	-	6,325
Accrued interest	96,673	48,018	144,691
Internal balances	(736,626)	736,626	-
Due from other governments	1,611,606	1,647,420	3,259,026
Inventories	244,500	937,868	1,182,368
Prepaid items	11,500	-	11,500
Restricted assets			
Cash and investments	-	2,222,660	2,222,660
Net pension assets	2,008,798	-	2,008,798
Deferred charges	68,033	78,917	146,950
Capital assets			
Land and land improvements	11,826,200	3,141,603	14,967,803
Buildings and utility plants	37,945,921	61,517,869	99,463,790
Improvements other than buildings	35,462,335	43,527,926	78,990,261
Infrastructure	31,808,795	88,809,692	120,618,487
Equipment	17,433,749	18,328,648	35,762,397
Accumulated depreciation	(70,159,121)	(117,202,711)	(187,361,832)
Construction in progress	600,386	5,058,847	5,659,233
Net capital assets	64,918,265	103,181,874	168,100,139
Total assets	120,573,799	150,757,643	271,331,442

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

September 30, 2012

Liabilities	Primary Government		Total
	Governmental activities	Business-type activities	
Accounts payable and other current liabilities	\$ 3,239,027	3,422,612	6,661,639
Due to other governments	5,507	687,851	693,358
Unearned revenue	193,451	591,265	784,716
Customer deposits	45,375	27,861	73,236
Accrued interest payable	31,446	-	31,446
Liabilities payable from restricted assets:			
Customer deposits	-	376,380	376,380
Current maturities of long-term debt	-	934,638	934,638
Accrued interest payable	-	200,752	200,752
Total current liabilities	3,514,806	6,241,359	9,756,165
Noncurrent liabilities			
Revenue bonds payable, net of unamortized discounts and premiums			
Due within one year	1,846,283	1,653,128	3,499,411
Due in more than one year	13,703,592	23,249,375	36,952,967
Compensated absences			
Due within one year	410,026	147,716	557,742
Due in more than one year	1,944,027	627,640	2,571,667
Other post employment benefits	853,725	358,539	1,212,264
Claims payable			
Due within one year	1,024,882	-	1,024,882
Due in more than one year	2,285,000	-	2,285,000
Total noncurrent liabilities	22,067,535	26,036,398	48,103,933
Total liabilities	25,582,341	32,277,757	57,860,098
Net Assets			
Invested in capital assets, net of related debt	49,368,390	77,344,733	126,713,123
Restricted for			
Debt service	-	1,645,528	1,645,528
Public safety	5,598,030	-	5,598,030
Streets and redevelopment	6,596,083	-	6,596,083
Police programs	386,681	-	386,681
Other governmental projects	879,593	-	879,593
Unrestricted	32,162,681	39,489,625	71,652,306
Total net assets	\$ 94,991,458	118,479,886	213,471,344

CITY OF NAPLES, FLORIDA

Statement of Activities

Year Ended September 30, 2012

	<u>Expenses</u>	<u>Indirect expenses allocation</u>	<u>Charges for services</u>
Functions/programs			
Governmental activities			
General government	\$ 8,483,319	(3,025,453)	837,202
Public safety	24,051,475	348,849	4,792,576
Physical and economic environment	2,993,335	135,043	15,788
Transportation	3,239,778	115,872	-
Culture and recreation	6,609,114	-	751,862
Interest	493,896	-	-
Total governmental activities	<u>45,870,917</u>	<u>(2,425,689)</u>	<u>6,397,428</u>
Business-type activities			
Water and sewer	22,248,110	1,667,619	28,262,634
Solid waste	4,904,250	371,668	5,827,277
Stormwater	2,290,331	173,470	4,563,918
Beach	1,367,796	130,524	1,117,695
Dock	1,341,339	41,856	1,512,844
Tennis	455,008	40,552	417,161
Total business-type activities	<u>32,606,834</u>	<u>2,425,689</u>	<u>41,701,529</u>
Total primary government	\$ <u><u>78,477,751</u></u>	<u><u>-</u></u>	<u><u>48,098,957</u></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
4,034	-	(4,616,630)	-	(4,616,630)
45,652	390,924	(19,171,172)	-	(19,171,172)
1,770,506	198,734	(1,143,350)	-	(1,143,350)
127,850	226,443	(3,001,357)	-	(3,001,357)
683,861	111,660	(5,061,731)	-	(5,061,731)
-	-	(493,896)	-	(493,896)
<u>2,631,903</u>	<u>927,761</u>	<u>(33,488,136)</u>	<u>-</u>	<u>(33,488,136)</u>
-	2,887,511	-	7,234,416	7,234,416
3,642	-	-	555,001	555,001
-	619,528	-	2,719,645	2,719,645
632,000	-	-	251,375	251,375
-	-	-	129,649	129,649
-	-	-	(78,399)	(78,399)
<u>635,642</u>	<u>3,507,039</u>	<u>-</u>	<u>10,811,687</u>	<u>10,811,687</u>
<u>3,267,545</u>	<u>4,434,800</u>	<u>(33,488,136)</u>	<u>10,811,687</u>	<u>(22,676,449)</u>
General revenues				
Property taxes		17,390,742	-	17,390,742
Local communication and utility taxes		5,574,086	-	5,574,086
Insurance premium tax		1,354,027	-	1,354,027
Motor fuel taxes		1,397,806	-	1,397,806
Business tax		264,110	-	264,110
Franchise fees		3,361,560	-	3,361,560
Intergovernmental revenues—unrestricted		2,807,044	-	2,807,044
Unrestricted investment earnings		238,259	153,699	391,958
Miscellaneous revenues		19,273	-	19,273
Gain on sale of capital assets		26,776	5,438	32,214
Transfers		2,013,610	(2,013,610)	-
Total general revenues and transfers		<u>34,447,293</u>	<u>(1,854,473)</u>	<u>32,592,820</u>
Change in net assets		959,157	8,957,214	9,916,371
Net assets, beginning		<u>94,032,301</u>	<u>109,522,672</u>	<u>203,554,973</u>
Net assets, ending		<u>\$ 94,991,458</u>	<u>118,479,886</u>	<u>213,471,344</u>

CITY OF NAPLES, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2012

	General	Debt	Capital
	Fund	Service	Projects
	Fund	Fund	Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 19,093,537	1,242,401	5,995,251
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	454,862	-	-
Special assessments	-	-	111,067
Utility taxes	-	214,812	-
Accrued interest	37,661	-	12,035
Due from other funds	234,953	-	-
Advances due from other funds	475,935	-	368,314
Due from other governments	1,220,199	42	21,938
Inventories	-	-	-
Prepaid items	11,500	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>21,528,647</u>	<u>1,457,255</u>	<u>6,508,605</u>
Liabilities			
Accounts payable	\$ 1,276,801	23,537	469,285
Accrued payroll	488,822	-	-
Due to other governments	5,507	-	-
Due to other funds	-	-	-
Advances payable to other funds	-	-	-
Deferred revenue	187,558	-	111,067
Customer deposits	-	-	1,842
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,958,688</u>	<u>23,537</u>	<u>582,194</u>
Fund balances			
Nonspendable	487,435	-	368,314
Restricted	13,791	-	-
Committed	3,515,091	-	390,914
Assigned	964,292	1,433,718	5,167,183
Unassigned	14,589,350	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>19,569,959</u>	<u>1,433,718</u>	<u>5,926,411</u>
Total liabilities and fund balances	\$ <u>21,528,647</u>	<u>1,457,255</u>	<u>6,508,605</u>

See accompanying notes to financial statements.

Community Redevelopment Fund	Streets and Traffic Fund	Other Nonmajor Governmental Fund	Total
2,835,054	4,242,762	10,815,880	44,224,885
-	-	2,244	457,106
-	-	-	111,067
-	-	-	214,812
9,919	8,470	17,510	85,595
-	-	-	234,953
-	54,858	-	899,107
-	85,984	270,742	1,598,905
-	32,026	-	32,026
-	-	-	11,500
<u>2,844,973</u>	<u>4,424,100</u>	<u>11,106,376</u>	<u>47,869,956</u>
12,709	387,588	322,147	2,492,067
10,445	12,885	38,094	550,246
-	-	-	5,507
-	-	234,953	234,953
162,479	-	1,473,254	1,635,733
-	-	21,080	319,705
-	-	43,533	45,375
<u>185,633</u>	<u>400,473</u>	<u>2,133,061</u>	<u>5,283,586</u>
-	86,884	-	942,633
2,659,340	3,936,743	6,850,513	13,460,387
-	-	2,536,811	6,442,816
-	-	157,658	7,722,851
-	-	(571,667)	14,017,683
<u>2,659,340</u>	<u>4,023,627</u>	<u>8,973,315</u>	<u>42,586,370</u>
<u>2,844,973</u>	<u>4,424,100</u>	<u>11,106,376</u>	<u>47,869,956</u>

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CITY OF NAPLES, FLORIDA

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

September 30, 2012

Total fund balances governmental funds (page 21)	\$ 42,586,370
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 (\$64,918,265) less amounts included in the internal service funds (\$866,544).	64,051,721
Accrued long term debt interest expense is not a financial use and, therefore, is not reported in the funds.	(31,446)
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 (\$22,067,535) less amounts reported in the internal service funds (\$3,520,846).	(18,546,689)
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.	129,903
Certain long term assets are not available to pay for current period expenditures and, therefore are not recorded in the funds.	2,076,831
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>4,724,768</u>
Net assets of governmental activities (page 17)	<u>\$ 94,991,458</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, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Revenues			
Taxes	\$ 20,303,646	3,586,064	-
Permits, fees and assessments	3,472,225	-	49,813
Intergovernmental	3,099,588	-	-
Charges for services	1,718,264	-	-
Charges to other funds	3,681,838	-	-
Fines and forfeitures	196,481	-	-
Interest	93,508	40	54,404
Donations	10,000	-	100,000
Miscellaneous	5,057	-	-
Total revenues	<u>32,580,607</u>	<u>3,586,104</u>	<u>204,217</u>
Expenditures			
Current			
General government	7,973,600	61,361	92,993
Public safety	20,445,372	-	21,259
Physical and economic environment	382,618	-	-
Transportation	-	-	-
Culture and recreation	5,167,519	-	11,327
Capital outlay			
General government	63,654	-	302,592
Public safety	53,653	-	966,994
Physical and economic environment	-	-	-
Transportation	-	-	-
Culture and recreation	-	-	1,754,429
Debt service			
Principal	-	1,844,000	-
Interest and fiscal charges	-	402,988	-
Total expenditures	<u>34,086,416</u>	<u>2,308,349</u>	<u>3,149,594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,505,809)</u>	<u>1,277,755</u>	<u>(2,945,377)</u>
Other financing sources (uses)			
Transfers in	2,063,610	978,569	2,903,539
Transfers out	(239,039)	(2,260,000)	(355,270)
Bond proceeds	-	-	-
Payments to escrow agents	-	-	-
Proceeds from sale of capital assets	3,505	-	21,359
Total other financing sources (uses)	<u>1,828,076</u>	<u>(1,281,431)</u>	<u>2,569,628</u>
Change in fund balances	<u>322,267</u>	<u>(3,676)</u>	<u>(375,749)</u>
Fund balances, beginning of year	<u>19,247,692</u>	<u>1,437,394</u>	<u>6,302,160</u>
Fund balances, end of year	<u>\$ 19,569,959</u>	<u>1,433,718</u>	<u>5,926,411</u>

See accompanying notes to financial statements.

Community Redevelopment Fund	Streets and Traffic Fund	Other Nonmajor Governmental Fund	Total
476,120	1,397,806	217,136	25,980,772
-	200,000	3,817,188	7,539,226
1,438,240	357,591	278,998	5,174,417
-	-	413,679	2,131,943
-	-	-	3,681,838
-	-	265,056	461,537
13,254	18,645	35,000	214,851
-	-	94,116	204,116
-	21	4,195	9,273
1,927,614	1,974,063	5,125,368	45,397,973
-	-	2,384	8,130,338
-	-	2,725,713	23,192,344
818,718	-	574,779	1,776,115
-	2,069,396	-	2,069,396
-	-	10,348	5,189,194
-	-	-	366,246
-	-	146,320	1,166,967
37,850	-	1,579,485	1,617,335
-	262,451	26,443	288,894
-	-	-	1,754,429
-	-	-	1,844,000
-	-	42,254	445,242
856,568	2,331,847	5,107,726	47,840,500
1,071,046	(357,784)	17,642	(2,442,527)
-	95,500	355,270	6,396,488
(1,528,569)	-	-	(4,382,878)
-	-	-	-
-	-	-	-
-	869	2,184	27,917
(1,528,569)	96,369	357,454	2,041,527
(457,523)	(261,415)	375,096	(401,000)
3,116,863	4,285,042	8,598,219	42,987,370
2,659,340	4,023,627	8,973,315	42,586,370

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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, 2012

Net Changes in Fund Balances—total governmental funds (page 25)	\$	(401,000)
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 (\$5,324,750) exceeded capital outlays (\$5,193,871) in the current period.		(130,879)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(2,948)
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. This is the amount of debt payments during the current period.		1,844,000
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.		(31,928)
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.		(309,833)
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>(8,255)</u>
Change in net assets of governmental activities (page 19)	\$	<u><u>959,157</u></u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2012

Assets	Business-type activities—Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current assets			
Cash and investments	\$ 18,904,078	6,066,983	8,691,045
Restricted cash and investments	2,012,155	-	205,151
Receivables (net, where applicable, of allowance for uncollectible):			
Accounts	3,575,382	593,282	470,377
Special assessments	103,063	-	-
Miscellaneous	-	-	-
Accrued interest	21,241	9,032	9,304
Advances due from other funds	368,313	-	368,313
Due from other governments	980,000	5,555	523,440
Prepaid items	-	-	-
Inventories	914,627	-	-
Total current assets	<u>26,878,859</u>	<u>6,674,852</u>	<u>10,267,630</u>
Capital assets			
Land	1,761,684	1,145,053	234,866
Buildings and utility plants	59,070,133	528,790	-
Improvements other than buildings	35,698,203	1,086,446	-
Infrastructure	66,855,613	-	21,954,079
Equipment	13,182,428	3,299,624	605,075
Accumulated depreciation	(95,137,577)	(3,453,351)	(9,865,329)
Construction in progress	4,800,632	-	258,215
Net capital assets	<u>86,231,116</u>	<u>2,606,562</u>	<u>13,186,906</u>
Unamortized issuance cost	78,917	-	-
Total noncurrent assets	<u>86,310,033</u>	<u>2,606,562</u>	<u>13,186,906</u>
Total assets	<u>113,188,892</u>	<u>9,281,414</u>	<u>23,454,536</u>

See accompanying notes to financial statements.

Nonmajor Funds	Total	Governmental activities– Internal Service Funds
3,450,613	37,112,719	7,336,855
5,354	2,222,660	-
49,437	4,688,478	-
-	103,063	-
-	-	6,325
8,441	48,018	11,078
-	736,626	-
138,425	1,647,420	12,701
-	-	-
23,241	937,868	212,474
3,675,511	47,496,852	7,579,433
-	3,141,603	-
1,918,946	61,517,869	831,245
6,743,277	43,527,926	-
-	88,809,692	-
1,241,521	18,328,648	2,204,798
(8,746,454)	(117,202,711)	(2,169,499)
-	5,058,847	-
1,157,290	103,181,874	866,544
-	78,917	-
1,157,290	103,260,791	866,544
4,832,801	150,757,643	8,445,977

(Continued)

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2012

Liabilities	Business-type activities—Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current liabilities			
Accounts payable	\$ 2,370,345	132,459	538,561
Accrued payroll	127,573	29,063	9,255
Due to other governments	687,851	-	-
Unearned revenue	348,333	-	174,192
Customer deposits	-	-	-
Current portion of compensated absences	74,289	45,043	10,471
Current maturities of long-term debt	1,466,568	-	131,560
Insurance claims payable	-	-	-
Total payable from current assets	<u>5,074,959</u>	<u>206,565</u>	<u>864,039</u>
Current liabilities (payable from restricted assets)			
Customer deposits	376,380	-	-
Current maturities of long-term debt	864,597	-	65,041
Accrued interest payable	180,182	-	20,216
Total payable from restricted assets	<u>1,421,159</u>	<u>-</u>	<u>85,257</u>
Total current liabilities	<u>6,496,118</u>	<u>206,565</u>	<u>949,296</u>
Noncurrent liabilities			
Due in more than one year			
Revenue bonds payable, net of unamortized discounts and premiums	21,309,370	-	1,805,005
Compensated absences	489,525	61,843	25,964
Other post-employment benefits	247,203	63,726	16,761
Insurance claims payable	-	-	-
Total noncurrent liabilities	<u>22,046,098</u>	<u>125,569</u>	<u>1,847,730</u>
Total liabilities	<u>28,542,216</u>	<u>332,134</u>	<u>2,797,026</u>
Net Assets			
Invested in capital assets, net of related debt	62,590,581	2,606,562	11,185,300
Restricted for debt service	1,455,593	-	184,935
Restricted for flexible benefits	-	-	-
Unrestricted	20,600,502	6,342,718	9,287,275
Net assets of business-type activities	<u>\$ 84,646,676</u>	<u>8,949,280</u>	<u>20,657,510</u>

See accompanying notes to financial statements.

Nonmajor Funds	Total	Governmental activities– Internal Service Funds
196,350	3,237,715	163,770
19,006	184,897	32,944
-	687,851	-
68,740	591,265	3,649
27,861	27,861	-
17,913	147,716	49,026
55,000	1,653,128	-
-	-	1,024,882
<u>384,870</u>	<u>6,530,433</u>	<u>1,274,271</u>
-	376,380	-
5,000	934,638	-
354	200,752	-
<u>5,354</u>	<u>1,511,770</u>	<u>-</u>
<u>390,224</u>	<u>8,042,203</u>	<u>1,274,271</u>
135,000	23,249,375	-
50,308	627,640	112,525
30,849	358,539	49,413
-	-	2,285,000
<u>216,157</u>	<u>24,235,554</u>	<u>2,446,938</u>
<u>606,381</u>	<u>32,277,757</u>	<u>3,721,209</u>
962,290	77,344,733	866,543
5,000	1,645,528	-
-	-	171,278
<u>3,259,130</u>	<u>39,489,625</u>	<u>3,686,947</u>
<u><u>4,226,420</u></u>	<u><u>118,479,886</u></u>	<u><u>4,724,768</u></u>

CITY OF NAPLES, FLORIDA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year Ended September 30, 2012

	Business-type activities—Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Operating revenues			
Charges for services			
Water revenues	\$ 15,830,495	-	-
Sewer revenues	12,432,139	-	-
Other	-	5,827,277	4,563,918
Total operating revenues	<u>28,262,634</u>	<u>5,827,277</u>	<u>4,563,918</u>
Operating expenses			
Personal services	6,839,736	1,607,755	478,311
Supplies, services, and claims	4,346,656	2,814,580	309,163
Materials	2,240,279	-	-
Utilities	1,885,299	14,897	24,011
Depreciation and amortization	6,094,816	406,262	1,395,066
General administration	1,667,625	371,668	173,470
Other	121,148	60,756	20,712
Total operating expenses	<u>23,195,559</u>	<u>5,275,918</u>	<u>2,400,733</u>
Operating income (loss)	<u>5,067,075</u>	<u>551,359</u>	<u>2,163,185</u>
Nonoperating revenues (expenses)			
Operating grants	-	3,642	-
Interest income	78,704	21,569	39,423
Interest expense	(720,170)	-	(63,068)
Gain (loss) on sale of capital assets	2,560	2,878	-
Total nonoperating revenues (expenses)	<u>(638,906)</u>	<u>28,089</u>	<u>(23,645)</u>
Income (loss) before contributions and transfers	4,428,169	579,448	2,139,540
Capital contributions	2,887,511	-	619,528
Transfers in	-	-	-
Transfers out	(1,698,210)	(365,400)	-
Change in net assets	5,617,470	214,048	2,759,068
Net assets, beginning of year	<u>79,029,206</u>	<u>8,735,232</u>	<u>17,898,442</u>
Net assets, end of year	<u>\$ 84,646,676</u>	<u>8,949,280</u>	<u>20,657,510</u>

See accompanying notes to financial statements.

<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Governmental activities– Internal Service Funds</u>
-	15,830,495	-
-	12,432,139	-
3,047,700	13,438,895	12,603,095
<u>3,047,700</u>	<u>41,701,529</u>	<u>12,603,095</u>
1,040,522	9,966,324	1,755,612
1,531,924	9,002,323	9,227,982
-	2,240,279	913,668
154,283	2,078,490	23,666
350,440	8,246,584	300,217
212,932	2,425,695	408,603
82,123	284,739	6,816
<u>3,372,224</u>	<u>34,244,434</u>	<u>12,636,564</u>
<u>(324,524)</u>	<u>7,457,095</u>	<u>(33,469)</u>
632,000	635,642	-
14,003	153,699	23,408
(4,851)	(788,089)	-
-	5,438	1,806
<u>641,152</u>	<u>6,690</u>	<u>25,214</u>
316,628	7,463,785	(8,255)
-	3,507,039	-
50,000	50,000	-
-	(2,063,610)	-
<u>366,628</u>	<u>8,957,214</u>	<u>(8,255)</u>
<u>3,859,792</u>	<u>109,522,672</u>	<u>4,733,023</u>
<u>4,226,420</u>	<u>118,479,886</u>	<u>4,724,768</u>

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year Ended September 30, 2012

	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Cash flows from operating activities			
Cash received from customers	\$ 29,667,443	6,150,616	4,804,229
Cash payments to suppliers	(8,827,949)	(2,999,431)	(398,532)
Cash payments to employees for services	(6,728,619)	(1,602,731)	(459,459)
Cash payments for interfund services	(1,667,625)	(371,668)	(173,470)
Net cash provided by operating activities	<u>12,443,250</u>	<u>1,176,786</u>	<u>3,772,768</u>
Cash flows from noncapital financing activities			
Transfers	(1,698,210)	(365,400)	-
Loans/advances and repayments from (to) other funds	(368,313)	-	(368,313)
Operating grants	-	3,642	-
Net cash provided by (used in) noncapital financing activities	<u>(2,066,523)</u>	<u>(361,758)</u>	<u>(368,313)</u>
Cash flows from capital and related financing activities			
Principal paid on long-term debt	(2,558,180)	-	(190,777)
Interest paid on long-term debt	(763,041)	-	(64,995)
Capital contributions	2,034,428	-	160,000
Proceeds from issuance of debt	13,159,000	-	-
Proceeds from sale of capital assets	5,261	2,878	-
Payment to escrow agent to defease debt	(12,754,005)	-	-
Issue costs on bonds payable	(81,462)	-	-
Acquisition and construction of capital assets	(6,803,023)	(491,096)	(2,093,774)
Net cash used in capital and related financing activities	<u>(7,761,022)</u>	<u>(488,218)</u>	<u>(2,189,546)</u>
Cash flows from investing activities			
Interest and investment earnings	78,899	21,045	39,199
Net cash provided by investing activities	<u>78,899</u>	<u>21,045</u>	<u>39,199</u>
Net increase in cash and cash equivalents	2,694,604	347,855	1,254,108
Cash and cash equivalents, beginning of year	<u>18,221,629</u>	<u>5,719,128</u>	<u>7,642,088</u>
Cash and cash equivalents, end of year	<u>\$ 20,916,233</u>	<u>6,066,983</u>	<u>8,896,196</u>

Nonmajor Funds	Total	Governmental Activities– Internal Service Funds
3,052,372	43,674,660	12,603,535
(1,642,048)	(13,867,960)	(9,960,563)
(1,025,637)	(9,816,446)	(1,715,236)
(212,932)	(2,425,695)	(408,603)
<u>171,755</u>	<u>17,564,559</u>	<u>519,133</u>
50,000	(2,013,610)	-
-	(736,626)	-
<u>631,000</u>	<u>634,642</u>	<u>-</u>
<u>681,000</u>	<u>(2,115,594)</u>	<u>-</u>
(60,000)	(2,808,957)	-
(4,960)	(832,996)	-
-	2,194,428	-
-	13,159,000	-
-	8,139	1,806
-	(12,754,005)	-
-	(81,462)	-
<u>(100,382)</u>	<u>(9,488,275)</u>	<u>(100,916)</u>
<u>(165,342)</u>	<u>(10,604,128)</u>	<u>(99,110)</u>
<u>13,458</u>	<u>152,601</u>	<u>22,640</u>
<u>13,458</u>	<u>152,601</u>	<u>22,640</u>
700,871	4,997,438	442,663
<u>2,755,096</u>	<u>34,337,941</u>	<u>6,894,192</u>
<u>3,455,967</u>	<u>39,335,379</u>	<u>7,336,855</u>

(Continued)

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2012

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 5,067,075	551,359	2,163,185
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	6,094,816	406,262	1,395,066
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	1,828,805	328,894	240,311
(Increase) decrease in miscellaneous receivables	-	-	-
(Increase) decrease in due from other governments	-	(5,555)	-
(Increase) decrease in inventories	34,593	-	-
Increase (decrease) in accounts payable	(269,160)	(109,198)	(44,646)
Increase (decrease) in accrued payroll	1,749	502	1,293
Increase (decrease) in due to other governments	(331,008)	-	-
Increase (decrease) in unearned revenue	(29,687)	-	-
Increase (decrease) in customer deposits	(63,301)	-	-
Increase (decrease) in insurance claims payable	-	-	-
Increase (decrease) in other post-employment benefits	93,528	24,044	5,491
Increase (decrease) in compensated absences	15,840	(19,522)	12,068
Net cash provided by operating activities	\$ <u>12,443,250</u>	<u>1,176,786</u>	<u>3,772,768</u>
See accompanying notes to financial statements.			
Noncash investing, capital, and financing activities			
Capital contributions	\$ 60,930	-	-

<u>Nonmajor Funds</u>	<u>Total</u>	<u>Governmental Activities– Internal Service Funds</u>
(324,524)	7,457,095	(33,469)
350,440	8,246,584	300,217
-	2,398,010	-
85,453	85,453	4,592
(1,370)	(6,925)	(3,911)
1,972	36,565	(75,175)
124,310	(298,694)	(60,138)
246	3,790	960
-	(331,008)	-
(77,938)	(107,625)	(241)
(1,473)	(64,774)	-
-	-	346,882
10,166	133,229	19,429
4,473	12,859	19,987
<u>171,755</u>	<u>17,564,559</u>	<u>519,133</u>

-	60,930	-
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CITY OF NAPLES, FLORIDA

Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2012

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 4,344,541	234
Contributions receivable	1,086,541	-
Investments, at fair value		
Corporate bonds	13,697,751	-
U.S. Government securities	9,880,745	-
Common stock	67,247,637	-
Commercial paper	8,231,491	-
Real Estate	5,191,690	-
Mutual funds	6,472,055	-
Total investments	<u>110,721,369</u>	<u>-</u>
Total assets	<u>116,152,451</u>	<u>234</u>
Liabilities		
Accounts payable	3,002	234
DROP payable	121,437	-
Deferred contributions	35,850	-
Total liabilities	<u>160,289</u>	<u>234</u>
Net assets		
Held in trust for pension benefits and other purposes	<u>\$ 115,992,162</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, 2012

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employee contributions	\$ 1,518,071
Employer contributions	5,209,255
State contributions	1,354,027
Total contributions	<u>8,081,353</u>
Investment earnings	
Interest and dividend income	2,402,320
Net change in fair value of investments	17,738,186
Less investment expense	(517,560)
Net investment earnings	<u>19,622,946</u>
Total additions	<u>27,704,299</u>
Deductions	
Benefits paid	6,932,026
Refunds of contributions	683,288
General administration	261,902
Total deductions	<u>7,877,216</u>
Change in net assets	19,827,083
Net assets, beginning of year	<u>96,165,079</u>
Net assets, end of year	<u>\$ 115,992,162</u>

See accompanying notes to financial statements.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

(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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

statements. *Governmental activities*, which principally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The 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 OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

The City reports the following major governmental funds:

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

Debt Service Fund—is used to account for the accumulation of resources for 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, and account for the activities of the City's internal payroll clearing account.

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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

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

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

(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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

(2) Receivables and Payables

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

(a) Advances to Other Funds

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

(b) Short-Term Interfund Receivables/Payables

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

(3) Inventories

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

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

(4) Restricted Assets

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

Restricted for debt service includes the sinking fund and debt reserve accounts. The sinking fund is 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.

(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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

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(7) Long-term Obligations

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

(8) 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.

THE CITY OF NAPLES, FLORIDA

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Fund Balance

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

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

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

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

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

Unassigned—This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that 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.

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Notes to Financial Statements

September 30, 2012

Fund Balance/Net Asset Policy

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

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

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

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

(9) Administrative Fees

Certain administrative expenses are incurred by the General Fund on behalf of other funds of the City. The General Fund collects for these services based on a percentage of operating costs and personnel costs. The related reimbursements for these services are recorded as either an operating expense in the proprietary funds or as expenditure in the governmental funds. Such fees amounted to \$3,681,838 for fiscal year 2012, and included \$2,425,689 charged to enterprise funds, \$524,475 charged to internal service and fiduciary funds, and \$731,674 charged to the debt service fund, Building and Zoning, Streets and Traffic and CRA special revenue funds, and capital projects funds.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

(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 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 (\$18,546,689) difference are as follows:

Debt payable	\$ (16,023,000)
Less	
Unamortized bond discount	7,877
Unamortized deferred loss on refunding	465,248
Other post-employment benefits	(804,312)
Compensated absences	<u>(2,192,502)</u>
Net adjustment to reduce total fund balance—governmental funds to arrive at net assets—governmental activities.	\$ <u><u>(18,546,689)</u></u>

Another element of that reconciliation explains that “certain long term assets are not available to pay for current period expenditures and, therefore are not recorded in the funds.” The details of this \$2,076,831 difference are as follows:

Net pension assets	\$ 2,008,798
Unamortized bond issuance costs	<u>68,033</u>
Net adjustment to increase fund balance—governmental funds to arrive at net assets—governmental activities.	\$ <u><u>2,076,831</u></u>

THE CITY OF NAPLES, FLORIDA

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September 30, 2012

(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 a 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 (\$130,879) difference are as follows:

Capital outlay	\$ 5,193,871
Depreciation expense	<u>(5,324,750)</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>(130,879)</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 (\$2,948) 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>(2,948)</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>(2,948)</u></u>

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September 30, 2012

Another element of that reconciliation states that debt proceeds provide current financial resources to governmental funds, while the repayment of the debt principal is an expenditure in governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued as an expenditure, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$1,844,000 difference are as follows:

Principal repayments	
Bonds payable	\$ 515,000
Notes payable	<u>1,329,000</u>
Net adjustment to increase net changes in fund balances— total governmental funds to arrive at change in net assets of governmental activities.	\$ <u><u>1,844,000</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$309,833) difference are as follows:

Change in	
Compensated absences	\$ (27,711)
Other post-employment benefits	(280,128)
Accrued interest	4,063
Net pension asset	56,747
Deferred loss on refunding	(50,297)
Bond issuance costs	(10,087)
Bond discounts	<u>(2,420)</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>(309,833)</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 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 March, with the development of the Capital Improvement Program and the operating budgets.
2. The Five Year Capital Improvement Program document is presented to Council in June.
3. The Preliminary Budget document is presented to Council in July.
4. A workshop on the proposed budget is conducted in August.
5. In September, two public hearings are conducted to obtain taxpayer comments.
6. The budget is legally enacted through passage of an ordinance, effective October 1.
7. The appropriated budget is prepared by fund, function, department, activity, and object. The appropriations ordinance is enacted on an annual basis. The legal level of budgetary control is maintained at the fund level in accordance with the adopted annual budget ordinance. Total expenditures may not legally exceed appropriations for each budgeted fund.
8. Within a single fund or department, budget amendments may be made by the department head with the City Manager's approval. All other changes, including increasing the budget, transfers, capital amendments and addition of employees require City Council approval via resolution.
9. Unused appropriations lapse at the end of the year.

Budgeted amounts in the accompanying financial statements are as originally adopted, or as amended by the appropriate authority. 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 restricted, committed or assigned fund balance since they do not constitute expenditures or liabilities.

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September 30, 2012

Governmental activities		
Major funds		
General Fund	\$	119,532
Capital Projects Fund		417,504
Streets and Traffic Fund		185,804
Nonmajor funds		<u>163,485</u>
	\$	<u><u>886,325</u></u>

(B) Deficit Fund Balance/Net Assets

The East Naples Bay District fund is reporting a negative unassigned fund balance of \$571,667. Funds have been advanced to the fund to cover the cost of a contract for dredging. A positive fund balance will be restored through future ad valorem assessments.

(IV) Detailed Notes on All Funds

(A) Cash and Investments

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

Cash and Cash Equivalents

Cash and cash equivalents in the general investment portfolio consist of money market accounts held by banks that qualify as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes in the amount of \$13,389,962 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 \$14,720 is reported at amortized cost and has a weighted average of 39 days to maturity as of September 30, 2012. 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 \$234,946 with a weighted average life of 4.08 years as of September 30, 2012. Fund B is not rated by any nationally recognized statistical rating agency.

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Notes to Financial Statements

September 30, 2012

Investment Portfolios

Investment holdings consist of a \$74,017,478 General Investment Portfolio and a \$110,721,369 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, Interest Bearing Time Deposit or Saving Accounts, Commercial Paper, Corporate Notes, Bankers' Acceptances, asset-backed securities (ABS), Real Estate Investment Trusts (REIT), Collateralized Mortgage Obligations (CMO), equity securities, and private real estate investments.

As of September 30, 2012, 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	\$ 25,027,959	0.80
United States Agency Securities	32,499,223	1.15
Corporate Bonds	5,807,220	2.23
Commercial Paper	9,389,850	-
Certificates of Deposit	1,293,226	1.00
Total	\$ <u>74,017,478</u>	0.96

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

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Pension Portfolio

<u>Investment</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
U.S. Government Securities	\$ 9,880,745	
Corporate Bonds	13,697,751	
Corporate Stocks	67,247,637	
Commercial Paper	8,231,491	
Real Estate	5,191,690	
Mutual Funds	6,472,055	
Total	\$ <u>110,721,369</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, 2012, the investment portfolio had an effective duration of 2.46 years. The chart below shows the City's investments by investment portfolio and their respective duration.

Total Portfolio

<u>Cash and Investment Accounts</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
Cash	\$ 3,251,394	-
Money Market	17,723,356	-
Local Government Surplus Funds Trust Fund ("SBA"), Fund A	14,720	0.10
Local Government Surplus Funds Trust Fund ("SBA"), Fund B	234,946	4.82
Investment Portfolio	74,017,478	0.96
Pension Portfolio	110,721,369	3.92
Total	\$ <u>205,963,263</u>	2.46

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Notes to Financial Statements

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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, 2012, the City's investment securities in U.S Treasury and Agency securities, corporate bonds and commercial paper were individually rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

The City's cash and money market balances of \$20,974,750 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 \$14,720 is rated AAAM by Standard & Poors. The City's investment in the LGIP Fund B in the amount of \$234,946 is not rated by any nationally recognized statistical rating agency.

The portfolios also contain \$67,247,637 in equity securities, \$6,472,055 in mutual funds, \$1,293,226 in certificates of deposit, and \$5,191,690 in private real estate 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

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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, 2012, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

Concentration of Credit Risk

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

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

As of September 30, 2012, the City's General Investment Portfolio had the following issuer concentration based on fair value:

General Concentration

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Cash	\$ 3,240,247	3.56%
Money Market	13,389,962	14.73%
Local Government Surplus Funds Trust Fund ("SBA"), Fund A	14,720	0.02%
Local Government Surplus Funds Trust Fund ("SBA"), Fund B	234,946	0.26%
United States Treasury Securities	25,027,959	27.53%
United States Agency Securities	32,499,223	35.76%
Corporate Bonds	5,807,220	6.39%
Commercial Paper	9,389,850	10.33%
Certificates of Deposit	1,293,226	1.42%
Total	<u>\$ 90,897,353</u>	

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

The pension investment policies target an asset allocation of 65% in equities, 30% in fixed income securities, and 5% in private real estate.

As of September 30, 2012, 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	\$ 11,147	0.01%
Money Market	4,333,394	3.77%
U.S. Government Securities	9,880,745	8.59%
Corporate Bonds	13,697,751	11.90%
Corporate Stock	67,247,637	58.45%
Commercial Paper	8,231,491	7.15%
Real Estate	5,191,690	4.51%
Mutual Funds	6,472,055	5.62%
Total	<u>\$ 115,065,910</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, 2011, the assessed value of the principal taxing authority's property upon which the 2011-2012 tax levy was based was \$14.5 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2012, was 1.1800 (\$1.18 per \$1,000 of assessed value). The voted debt service millage was 0.0426 (\$0.0426 per \$1,000 of assessed value) to pay for the principal and interest on general obligation bonds that were issued to purchase a tract of land used as a nature preserve. The assessed values at January 1, 2011, of the dependent special districts, East Naples Bay and Moorings Bay, were \$379 million, and \$1,384 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, 2012.

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Total ad valorem taxes collected for the year ended September 30, 2012, aggregated \$17,390,742, net of cash discounts, of which \$16,099,128 was designated for general government services, \$476,120 for the Community Redevelopment Agency, \$183,587 for East Naples Bay Taxing District, \$33,549 for the Moorings Bay Taxing District and \$598,358 for debt service on the general obligation debt.

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

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

The property owners' tax calendar is as follows:

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

For the 2011 tax roll year, the assessment roll was opened for collection on November 1, 2011, and discounts for payment prior to April 1, 2012, 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 2012 is included in the accompanying financial statements since such taxes are levied to finance expenditures of the subsequent period.

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Notes to Financial Statements

September 30, 2012

(C) Receivables

Receivables at September 30, 2012, 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 Fund	\$ 454,862	-	-	1,220,199	37,661	1,712,722
Debt Service Fund	-	-	214,812	42	-	214,854
Capital Projects Fund	-	111,067	-	21,938	12,035	145,040
Community Redevelopment Fund	-	-	-	-	9,919	9,919
Streets and Traffic Fund	-	-	-	85,984	8,470	94,454
Nonmajor funds	2,244	-	-	270,742	17,510	290,496
Internal Service Fund	-	-	-	12,701	17,403	30,104
	<u>\$ 457,106</u>	<u>111,067</u>	<u>214,812</u>	<u>1,611,606</u>	<u>102,998</u>	<u>2,497,589</u>
Business type activities						
Major funds						
Water and Sewer Fund	\$ 3,575,382	103,063	-	980,000	21,241	4,679,686
Solid Waste Fund	593,282	-	-	5,555	9,032	607,869
Stormwater Fund	470,377	-	-	523,440	9,304	1,003,121
Nonmajor funds	49,437	-	-	138,425	8,441	196,303
	<u>\$ 4,688,478</u>	<u>103,063</u>	<u>-</u>	<u>1,647,420</u>	<u>48,018</u>	<u>6,486,979</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, 2012, are as follows:

Water and Sewer Fund	\$ 27,989
Solid Waste Fund	3,728
Stormwater Fund	<u>2,354</u>
	<u>\$ 34,071</u>

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Notes to Financial Statements

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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, 2012, 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	1,039,372	600,386	(1,039,372)	600,386
Total capital assets not being depreciated	<u>12,865,572</u>	<u>600,386</u>	<u>(1,039,372)</u>	<u>12,426,586</u>
Capital assets being depreciated				
Buildings	37,716,558	229,363	-	37,945,921
Improvements other than buildings	31,889,844	3,580,201	(7,710)	35,462,335
Infrastructure	31,624,990	183,805	-	31,808,795
Equipment	16,023,150	1,740,403	(329,804)	17,433,749
Total capital assets being depreciated	117,254,542	5,733,772	(337,514)	122,650,800
Less accumulated depreciation for				
Buildings	(13,095,632)	(1,230,226)	-	(14,325,858)
Improvements other than buildings	(19,293,068)	(2,064,084)	7,561	(21,349,591)
Infrastructure	(20,407,395)	(886,502)	-	(21,293,897)
Equipment	(12,072,626)	(1,444,155)	327,006	(13,189,775)
Total accumulated depreciation	<u>(64,868,721)</u>	<u>(5,624,967)</u>	<u>334,567</u>	<u>(70,159,121)</u>
Total capital assets being depreciated, net	<u>52,385,821</u>	<u>108,805</u>	<u>(2,947)</u>	<u>52,491,679</u>
Total governmental capital assets, net	\$ <u>65,251,393</u>	<u>709,191</u>	<u>(1,042,319)</u>	<u>64,918,265</u>

Depreciation expense was charged to the governmental activities as follows:

Governmental activities	
General government	\$ 343,406
Public safety	1,002,732
Physical and economic environment	1,331,962
Transportation	1,273,386
Cultural and recreation	1,373,264
Internal service	<u>300,217</u>
Total depreciation expense, governmental activities	\$ <u>5,624,967</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

Business-Type Activities:

A summary of changes in capital assets of business-type activities for the year ended September 30, 2012, is as follows:

<u>Water and Sewer Fund</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated				
Land and easements	\$ 1,731,983	29,701	-	1,761,684
Construction in progress	3,816,138	1,472,764	(488,270)	4,800,632
Total capital assets not being depreciated	<u>5,548,121</u>	<u>1,502,465</u>	<u>(488,270)</u>	<u>6,562,316</u>
Capital assets being depreciated				
Buildings and utility plants	59,064,960	100,681	(95,508)	59,070,133
Improvements other than buildings	34,489,380	1,248,121	(39,298)	35,698,203
Infrastructure	62,645,307	4,225,206	(14,900)	66,855,613
Equipment	12,530,550	1,082,699	(430,821)	13,182,428
Total capital assets being depreciated	<u>168,730,197</u>	<u>6,656,707</u>	<u>(580,527)</u>	<u>174,806,377</u>
Less accumulated depreciation for				
Buildings	(25,792,340)	(1,398,119)	95,508	(27,094,951)
Improvements other than buildings	(14,525,162)	(1,825,211)	37,674	(16,312,699)
Infrastructure	(39,857,616)	(1,700,720)	14,900	(41,543,436)
Equipment	(9,451,734)	(1,164,500)	429,743	(10,186,491)
Total accumulated depreciation	<u>(89,626,852)</u>	<u>(6,088,550)</u>	<u>577,825</u>	<u>(95,137,577)</u>
Total capital assets being depreciated, net	<u>79,103,345</u>	<u>568,157</u>	<u>(2,702)</u>	<u>79,668,800</u>
Water and sewer fund capital assets, net	\$ <u>84,651,466</u>	<u>2,070,622</u>	<u>(490,972)</u>	<u>86,231,116</u>

<u>Solid Waste Fund</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated				
Land	\$ 1,145,053	-	-	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	877,258	209,188	-	1,086,446
Equipment	3,032,046	281,908	(14,330)	3,299,624
Total capital assets being depreciated	<u>4,438,094</u>	<u>491,096</u>	<u>(14,330)</u>	<u>4,914,860</u>
Less accumulated depreciation for				
Buildings	(285,393)	(26,898)	-	(312,291)
Improvements other than buildings	(806,431)	(34,565)	-	(840,996)
Equipment	(1,969,595)	(344,799)	14,330	(2,300,064)
Total accumulated depreciation	<u>(3,061,419)</u>	<u>(406,262)</u>	<u>14,330</u>	<u>(3,453,351)</u>
Total capital assets being depreciated, net	<u>1,376,675</u>	<u>84,834</u>	<u>-</u>	<u>1,461,509</u>
Solid waste fund capital assets, net	\$ <u>2,521,728</u>	<u>84,834</u>	<u>-</u>	<u>2,606,562</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

Stormwater Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated				
Land	\$ 234,866	-	-	234,866
Construction in progress	-	258,215	-	258,215
Total capital assets not being depreciated	<u>234,866</u>	<u>258,215</u>	<u>-</u>	<u>493,081</u>
Capital assets being depreciated				
Infrastructure	20,170,821	1,783,258	-	21,954,079
Equipment	306,155	302,547	(3,627)	605,075
Total capital assets being depreciated	<u>20,476,976</u>	<u>2,085,805</u>	<u>(3,627)</u>	<u>22,559,154</u>
Less accumulated depreciation for				
Infrastructure	(8,310,070)	(1,362,031)	-	(9,672,101)
Equipment	<u>(163,820)</u>	<u>(33,035)</u>	<u>3,627</u>	<u>(193,228)</u>
Total accumulated depreciation	<u>(8,473,890)</u>	<u>(1,395,066)</u>	<u>3,627</u>	<u>(9,865,329)</u>
Total capital assets being depreciated, net	<u>12,003,086</u>	<u>690,739</u>	<u>-</u>	<u>12,693,825</u>
Stormwater fund capital assets, net	\$ <u>12,237,952</u>	<u>948,954</u>	<u>-</u>	<u>13,186,906</u>
Nonmajor Funds	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets being depreciated				
Buildings and utility plants	\$ 1,918,946	-	-	1,918,946
Improvements other than buildings	6,701,840	42,349	(912)	6,743,277
Equipment	1,194,216	58,033	(10,728)	1,241,521
Total capital assets being depreciated	<u>9,815,002</u>	<u>100,382</u>	<u>(11,640)</u>	<u>9,903,744</u>
Less accumulated depreciation for				
Buildings	(1,311,286)	(63,036)	-	(1,374,322)
Improvements other than buildings	(6,093,484)	(210,322)	912	(6,302,894)
Equipment	<u>(1,002,884)</u>	<u>(77,082)</u>	<u>10,728</u>	<u>(1,069,238)</u>
Total accumulated depreciation	<u>(8,407,654)</u>	<u>(350,440)</u>	<u>11,640</u>	<u>(8,746,454)</u>
Total capital assets being depreciated, net	<u>1,407,348</u>	<u>(250,058)</u>	<u>-</u>	<u>1,157,290</u>
Nonmajor fund capital assets, net	\$ <u>1,407,348</u>	<u>(250,058)</u>	<u>-</u>	<u>1,157,290</u>
Total business-type capital assets, net	\$ <u>100,818,494</u>	<u>2,854,352</u>	<u>(490,972)</u>	<u>103,181,874</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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

Business-type activities		
Water and sewer	\$	6,088,551
Solid waste		406,262
Stormwater		1,395,066
Other		<u>350,440</u>
Total depreciation expense, business-type activities	\$	<u><u>8,240,319</u></u>

(E) ***Interfund Transactions***

Individual fund interfund receivable and payable balances at September 30, 2012, are as follows:

	<u>Interfund receivable</u>	<u>Interfund payable</u>
Governmental activities		
Major fund		
General Fund	\$ 234,953	-
Nonmajor funds		
Community Development Block Grant	-	145,061
Grants	<u>-</u>	<u>89,892</u>
	<u>\$ 234,953</u>	<u>234,953</u>

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

Advances from/to other funds are as follows:

	<u>Advances receivable</u>	<u>Advances payable</u>
Governmental activities		
Major funds		
General Fund	\$ 475,935	-
Capital Projects Fund	368,314	-
Community Redevelopment Fund	-	162,479
Streets and Traffic Fund	54,858	-
Nonmajor Fund		
East Naples Bay District	-	1,473,254
Business-type activities		
Major fund		
Water and Sewer Fund	368,313	-
Stormwater Fund	368,313	-
	<u>\$ 1,635,733</u>	<u>1,635,733</u>

Advances to other funds represent funds provided to the Community Redevelopment fund and the East Naples Bay District fund used to construct certain infrastructure and dredging improvements and will be repaid according to set schedules. Advances expected to be repaid within one year are \$175,000.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

Transfers during the year ended September 30, 2012, consisted of the following:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental activities		
Major funds		
General Fund	\$ 2,063,610	239,039
Debt Service Fund	978,569	2,260,000
Capital Projects Fund	2,903,539	355,270
Community Redevelopment Fund	-	1,528,569
Streets and Traffic Fund	95,500	-
Nonmajor funds	355,270	
Business-type activities		
Major funds		
Water and Sewer Fund	-	1,698,210
Solid Waste Fund	-	365,400
Nonmajor fund		
Tennis Fund	50,000	-
	<u>\$ 6,446,488</u>	<u>6,446,488</u>

Transfers into the General Fund in the amount of \$2,063,610 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 \$978,569 from the Community Redevelopment Fund was for debt service payments. The transfer into the Capital Projects Fund included utility tax revenues from the Debt Service Fund in the amount of \$2,260,000 used for capital expenditures, and transfers from the Community Redevelopment Fund in the amount of \$550,000 and the General Fund in the amount of \$93,000 for the River Park Aquatic Center. The transfer from the Capital Projects Fund into the East Naples Bay District Fund in the amount of \$355,270 was for dredging expenditures. The transfer from the General Fund into the Tennis Fund in the amount of \$50,000 was to help defer costs when members could not use the facility due to tournaments and public events.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

(F) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2012, for the City's individual major funds and for the total nonmajor funds were as follows:

	<u>Accounts payable</u>	<u>Accrued payroll</u>	<u>Total</u>
Governmental activities			
Major funds			
General Fund	\$ 1,276,801	488,822	1,765,623
Debt Service Fund	23,537	-	23,537
Capital Projects Fund	469,285	-	469,285
Community Redevelopment Fund	12,709	10,445	23,154
Streets and Traffic Fund	387,588	12,885	400,473
Nonmajor funds	322,147	38,094	360,241
Internal Service Fund	163,770	32,944	196,714
	<u>\$ 2,655,837</u>	<u>583,190</u>	<u>3,239,027</u>
Business-type activities			
Major funds			
Water and Sewer Fund	\$ 2,370,345	127,573	2,497,918
Solid Waste Fund	132,459	29,063	161,522
Stormwater Fund	538,561	9,255	547,816
Nonmajor funds	196,350	19,006	215,356
	<u>\$ 3,237,715</u>	<u>184,897</u>	<u>3,422,612</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

(G) Long-Term Obligations

Long-term liabilities of the governmental activities at September 30, 2012, 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%.	\$ 14,333,000
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%.	1,690,000
Unamortized deferred loss on refunding	(465,248)
Unamortized issuance discounts	(7,877)
Claims payable	2,891,882
Other post-employment benefits payable	853,725
Compensated absences payable	<u>2,354,053</u>
	<u>\$ 21,649,535</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

Changes in long-term obligations for governmental activities for the year ended September 30, 2012, are as follows:

Governmental Activities	Balance October 1	Additions	Retired	Balance September 30	Due in One Year
Debt payable					
2004 General Obligation Bonds	\$ 2,205,000	-	(515,000)	1,690,000	540,000
2010 Capital Improvement Refunding Revenue Note	15,662,000	-	(1,329,000)	14,333,000	1,359,000
	<u>17,867,000</u>	-	<u>(1,844,000)</u>	<u>16,023,000</u>	<u>1,899,000</u>
Less deferred loss on refunding	(515,545)	-	50,297	(465,248)	(50,297)
Less unamortized discounts	(10,297)	-	2,420	(7,877)	(2,420)
Total debt payable	<u>17,341,158</u>	-	<u>(1,791,283)</u>	<u>15,549,875</u>	<u>1,846,283</u>
Claims payable	2,963,000	4,883,546	(4,954,664)	2,891,882	1,024,882
Other post-employment benefits payable	554,168	651,168	(351,611)	853,725	-
Compensated absences payable	<u>2,306,355</u>	<u>543,368</u>	<u>(495,670)</u>	<u>2,354,053</u>	<u>410,026</u>
Total	<u>\$ 23,164,681</u>	<u>6,078,082</u>	<u>(7,593,228)</u>	<u>21,649,535</u>	<u>3,281,191</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 \$161,551 in compensated absences, \$3,309,882 in claims payable, and \$49,413 in other post-employment benefits reported in the internal service funds are included in the above amounts and will be liquidated by the internal service funds. The remaining compensated absences balances are made up by the following funds: General Fund \$1,930,457, Building and Zoning Fund \$120,520, Community Redevelopment Fund \$16,501, Streets and Traffic Fund \$125,024. These funds will be used to liquidate the compensated absences liability. The remaining other post-employment benefits payable will generally be liquidated by the General Fund.

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

Governmental Activities

	Principal	Interest	Total
Year ended September 30			
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	1,561,000	172,756	1,733,756
2018-2022	<u>7,074,000</u>	<u>344,794</u>	<u>7,418,794</u>
	<u>\$ 16,023,000</u>	<u>1,628,917</u>	<u>17,651,917</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

Long-term liabilities of the business-type activities at September 30, 2012 are comprised of the following issues:

Water and Sewer Fund

Public Utilities Refunding Revenue Bond, Series 2012A, issued in the amount of \$8,324,000 to currently refund the outstanding principal amount of the City's Public Utilities Revenue Bond, Series 2007A. Bonds mature annually on September 1, with final maturity on September 1, 2027. Interest is payable semi-annually on March 1 and September 1, at a fixed rate of 2.65%. The principal and interest is secured by the net revenue of the water and sewer system and from the investment of monies in various funds established by Ordinance. \$ 8,100,000

Public Utilities Refunding Revenue Bond, Series 2012B, issued in the amount of \$4,835,000 to currently refund the outstanding principal amount of the City's Public Utilities Revenue Bond, Series 2007B. Bonds mature annually on September 1, with final maturity on September 1, 2027. Interest is payable semi-annually on March 1 and September 1, at a fixed rate of 2.54%. The principal and interest is secured by the net revenue of the water and sewer system and from the investment of monies in various funds established by Ordinance. 4,704,000

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 20 years beginning in April 1998. Planning, engineering and administration allowances in the amount of \$884,230 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%. Transmission improvements in the amount of \$2,303,000 were approved in April 2001, at an interest rate of 3.08%. 10,951,858

Unamortized deferred loss on refunding (115,323)

Other post-employment benefits payable 247,203

Compensated absences payable 563,814

Total water and sewer fund \$ 24,451,552

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

Solid Waste Fund

Other post-employment benefits payable	\$	63,726
Compensated absences payable		<u>106,886</u>
Total solid waste fund	\$	<u><u>170,612</u></u>

Stormwater Fund

State of Florida Revolving Loan Funds issued in the amount of \$4,090,231 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.

	\$	2,001,606
Other post-employment benefits payable		16,761
Compensated absences payable		<u>36,435</u>
Total stormwater fund	\$	<u><u>2,054,802</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%.

	\$	195,000
Other post-employment benefits payable		30,849
Compensated absences payable		<u>68,221</u>
Total nonmajor funds	\$	<u><u>294,070</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

Changes in long-term obligations for business-type activities for the year ended September 30, 2012, 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	\$ 8,465,716	-	(8,465,716)	-	-
Public Utilities Refunding Revenue Bond, Series 2007B	4,913,245	-	(4,913,245)	-	-
Public Utilities Refunding Revenue Bond, Series 2012A	-	8,324,000	(224,000)	8,100,000	447,000
Public Utilities Refunding Revenue Bond, Series 2012B	-	4,835,000	(131,000)	4,704,000	262,000
Water and Sewer - State Revolving Funds	12,530,082	-	(1,578,224)	10,951,858	1,622,165
Stormwater, State Revolving Fund	2,192,383	-	(190,777)	2,001,606	196,601
2010 Capital Improvement Refunding Revenue Note	255,000	-	(60,000)	195,000	60,000
	<u>28,356,426</u>	<u>13,159,000</u>	<u>(15,562,962)</u>	<u>25,952,464</u>	<u>2,587,766</u>
Less deferred loss on refunding	-	(119,043)	3,720	(115,323)	(7,440)
Less unamortized discounts	(26,840)	-	26,840	-	-
Total debt payable	<u>28,329,586</u>	<u>13,039,957</u>	<u>(15,532,402)</u>	<u>25,837,141</u>	<u>2,580,326</u>
Other post-employment benefits payable	225,310	333,363	(200,134)	358,539	-
Compensated absences payable	<u>762,497</u>	<u>163,725</u>	<u>(150,866)</u>	<u>775,356</u>	<u>147,716</u>
Total	<u>\$ 29,317,393</u>	<u>13,537,045</u>	<u>(15,883,402)</u>	<u>26,971,036</u>	<u>2,728,042</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, 2012, no amounts were earned that will have to be rebated.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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			
2013	\$ 2,587,766	690,491	3,278,257
2014	2,656,943	619,506	3,276,449
2015	2,728,573	546,598	3,275,171
2016	2,756,696	472,027	3,228,723
2017	2,817,355	396,351	3,213,706
2018-2022	7,578,131	1,121,130	8,699,261
2023-2027	4,827,000	384,413	5,211,413
	<u>\$ 25,952,464</u>	<u>4,230,516</u>	<u>30,182,980</u>

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

Stormwater Fund

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended September 30			
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	221,732	34,040	255,772
2018-2021	956,718	66,368	1,023,086
	<u>\$ 2,001,606</u>	<u>300,340</u>	<u>2,301,946</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			
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>\$ 195,000</u>	<u>7,087</u>	<u>202,087</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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

Net interest cost (interest cost less the interest earned on the investment of unexpended debt proceeds) is capitalized in the proprietary funds on construction projects financed with long-term debt. Interest cost is not capitalized on projects financed by government grants or third-party donations. Interest cost is not capitalized on assets in the governmental activities. Interest was not capitalized during the year ended September 30, 2012.

Defeased Debt

On March 6, 2012, the City issued the Public Utilities Refunding Revenue Bond, Series 2012A in the amount of \$8,324,000 with an interest rate of 2.65% to current refund the outstanding principal amount of the City’s Public Utilities Revenue Bond, Series 2007A. The net proceeds and an additional \$196,448 of sinking funds and reserves were used to pay off the 2007A bonds.

On March 6, 2012, the City issued the Public Utilities Refunding Revenue Bond, Series 2012B in the amount of \$4,835,000 with an interest rate of 2.54% to current refund the outstanding principal amount of the City’s Public Utilities Revenue Bond, Series 2007B. The net proceeds and an additional \$116,031 of sinking funds and reserves were used to pay off the 2007B bonds.

These debt refundings resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$119,043. This difference, reported in the accompanying financial statements as a deduction from debt payable, is being amortized over the life of the new debt. The City completed the refunding to reduce its total debt service payments and to obtain an economic gain (difference between the present value of the old debt and new debt service payments) of \$1,079,243.

The following issue has been defeased by refunding issues and remains outstanding:

	Defeased bonds outstanding
Water and Sewer Refunding Revenue Bonds, Series 2002	\$ <u>3,685,000</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

(H) Fund Equity

The following is a summary of fund balances that were nonspendable, restricted, committed or assigned as of September 30, 2012:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Community Redevelopment Fund</u>	<u>Streets and Traffic Fund</u>	<u>Other Nonmajor Governmental</u>	<u>Total</u>
Fund balances							
Nonspendable							
Inventory	\$ -	-	-	-	32,026	-	32,026
Prepaid items	11,500	-	-	-	-	-	11,500
Advances to other funds	475,935	-	368,314	-	54,858	-	899,107
	<u>487,435</u>	<u>-</u>	<u>368,314</u>	<u>-</u>	<u>86,884</u>	<u>-</u>	<u>942,633</u>
Restricted							
Donations, various	-	-	-	-	-	235,590	235,590
Impact fees	-	-	-	-	-	630,212	630,212
Debt service	-	-	-	-	-	-	-
Sabal Bay litigation	13,791	-	-	-	-	-	13,791
Transportation	-	-	-	-	3,936,743	-	3,936,743
Police programs	-	-	-	-	-	386,681	386,681
Economic development	-	-	-	2,659,340	-	-	2,659,340
Building and zoning	-	-	-	-	-	5,598,030	5,598,030
	<u>13,791</u>	<u>-</u>	<u>-</u>	<u>2,659,340</u>	<u>3,936,743</u>	<u>6,850,513</u>	<u>13,460,387</u>
Committed							
Public arts program	-	-	-	-	-	185,693	185,693
Emergency reserve	3,370,622	-	-	-	-	-	3,370,622
Capital projects	-	-	-	-	-	-	-
Contracts	102,768	-	390,914	-	-	-	493,682
Handicap accessibility	41,701	-	-	-	-	-	41,701
Economic development	-	-	-	-	-	516,887	516,887
Land conservation	-	-	-	-	-	768,864	768,864
Dredging projects	-	-	-	-	-	1,065,367	1,065,367
	<u>3,515,091</u>	<u>-</u>	<u>390,914</u>	<u>-</u>	<u>-</u>	<u>2,536,811</u>	<u>6,442,816</u>
Assigned							
Subsequent year's expenditures	952,527	-	-	-	-	-	952,527
Debt service	-	1,433,718	-	-	-	-	1,433,718
Encumbrances	11,765	-	-	-	-	-	11,765
Economic development	-	-	-	-	-	157,658	157,658
Construction	-	-	5,167,183	-	-	-	5,167,183
	<u>964,292</u>	<u>1,433,718</u>	<u>5,167,183</u>	<u>-</u>	<u>-</u>	<u>157,658</u>	<u>7,722,851</u>
Unassigned	<u>14,589,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(571,667)</u>	<u>14,017,683</u>
Total fund balance	\$ <u>19,569,959</u>	<u>1,433,718</u>	<u>5,926,411</u>	<u>2,659,340</u>	<u>4,023,627</u>	<u>8,973,315</u>	<u>42,586,370</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

(1) 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 12-13142 which reinstated benefits for certain members previously reduced by the provisions of Ordinance 11-12951. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report.

The 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:

General pension plan	
Covered payroll for the year ended September 30, 2012	\$ 15,661,751
Covered payroll as a percentage of the City's total payroll of \$ 24,242,222	64.61%
Retirees and beneficiaries currently receiving benefits	227
Vested terminated employees	22
Active employees	
Fully vested	196
Nonvested	106

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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

<u>Benefits</u>	<u>Vesting</u>
Normal retirement is at age 60 with 5 years of service or the rule of 85 (when age plus service equals 85). For members hired after September 30, 2011, normal retirement is the earlier of age 65 with 8 years of credited service or the completion of 33 years of credited service regardless of age. Benefits are 2.50% of average final compensation (AFC) times years of service for each year of service prior to September 30, 2011, plus 1.6% of AFC for each year of service after September 30, 2011. The early retirement benefit is reduced by 3% for each year that the early retirement date precedes age 60, or for members hired after September 30, 2011, the early retirement benefit is reduced by 5% for each year that the early retirement date precedes age 65.	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, 2012, 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, 2012, 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 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 CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

The actuarial required contribution for fiscal year ending September 30, 2012, was determined in accordance with the October 1, 2010, 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 to 10% each year based on service, 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 post-retirement benefit increase; therefore, no actuarial inflation assumptions are required.

As of the most recent actuarial valuation dated October 1, 2012, the funded status of the plan is as follows:

**General 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>
10/01/12	\$ 40,286	58,018	17,732	69%	15,662	113%

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.

There have been no changes in the methods or assumptions since the prior valuation. However, in order to comply with Florida Statutes, the payroll growth assumption utilized for purposes of amortizing the unfunded actuarial accrued liability has decreased from 5% to 4.2%.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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>
09/30/12	\$ 1,638,218	101.7%	(990,314)
09/30/11	2,395,397	97.4%	(962,338)
09/30/10	2,124,650	97.1%	(1,023,428)

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Required Contributions (ARC)	\$ 1,666,194	2,334,307	2,063,584
Interest on Net Pension Obligation (NPO)	(72,175)	(76,757)	(81,337)
Adjustment to ARC	44,199	137,847	142,403
Annual Pension Cost (APC)	1,638,218	2,395,397	2,124,650
Contributions made	1,666,194	2,334,307	2,063,584
Increase (decrease) in NPO	(27,976)	61,090	61,066
NPO at beginning of year	(962,338)	(1,023,428)	(1,084,494)
NPO at end of year	\$ <u>(990,314)</u>	<u>(962,338)</u>	<u>(1,023,428)</u>

ii. Police Officers’ Pension Plan

The Police Officers Retirement Plan provides benefits for all full-time sworn police personnel of the City. All retirement plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 12-13063. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity’s financial report.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

The payroll for employees covered by the Plan and the government’s total payroll for the year ended September 30, 2012, and current membership as of October 1, 2012, the date of the most recent actuarial valuation is as follows:

Police pension plan	
Covered payroll for the year ended September 30, 2012	\$ 5,035,014
Covered payroll as a percentage of the City’s total payroll of \$ 24,242,222	20.77%
Retirees and beneficiaries currently receiving benefits	61
Vested terminated employees	10
DROP employees	3
Active employees	
Fully vested	51
Nonvested	17

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

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

The system also provides disability and survivors’ benefits.

The 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

As of September 30, 2012, 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, 2012, there were no investment types or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

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

The Plan's funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis or 3% for employees hired after April 1, 2012. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all Plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from the Plan assets. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Police Officers' Pension Plan for the year ended was \$519,409. 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, 2012, was determined in accordance with the October 1, 2010, 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 to 10% each year based on service, and includes 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. For members hired after April 1, 2012, there is no cost of living increase.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

As of the most recent actuarial valuation dated October 1, 2012, the funded status of the plan is as follows:

**Police Officers' 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>
10/01/12	\$ 32,249	54,399	22,150	59%	5,035	440%

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.

There have been no changes in the methods or assumptions since the prior valuation. However, in order to comply with Florida Statutes, the payroll growth assumption utilized for purposes of amortizing the unfunded actuarial accrued liability has decreased from 5% to 4.7%.

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>
09/30/12	\$ 2,193,068	100.8%	(596,410)
09/30/11	2,149,906	97.7%	(579,562)
09/30/10	2,199,807	98.1%	(629,781)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Required Contributions (ARC)	\$ 2,209,916	2,099,687	2,158,550
Interest on Net Pension Obligation (NPO)	(43,467)	(47,234)	(50,328)
Adjustment to ARC	<u>26,619</u>	<u>97,453</u>	<u>91,585</u>
Annual Pension Cost (APC)	2,193,068	2,149,906	2,199,807
Contributions made	<u>2,209,916</u>	<u>2,099,687</u>	<u>2,158,550</u>
Increase (decrease) in NPO	(16,848)	50,219	41,257
NPO at beginning of year	<u>(579,562)</u>	<u>(629,781)</u>	<u>(671,038)</u>
NPO at end of year	\$ <u>(596,410)</u>	<u>(579,562)</u>	<u>(629,781)</u>

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 payroll for employees covered by the Plan and the government's total payroll for the year ended, and current membership as of October 1, 2012, the date of the most recent actuarial valuation, is as follows:

Firefighters' pension plan		
Covered payroll for the year ended September 30, 2012	\$	3,545,457
Covered payroll as a percentage of the City's total payroll of		14.63%
\$ 24,242,222		
Retirees and beneficiaries currently receiving benefits		43
Vested terminated employees		9
Active employees		
Fully vested		42
Nonvested		10

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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 survivors' 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.

As of September 30, 2012, 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, 2012, there were no investment types or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

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

The Plan's funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from Plan assets. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Firefighters' Pension Plan for the year ended September 30, 2012 was \$834,618. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

The actuarial required contribution for fiscal year ending September 30, 2012, was determined in accordance with the October 1, 2010, 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 to 10% each year based on service, 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, 2012, 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>
10/01/12	\$ 32,388	53,780	21,392	60%	3,545	603%

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.

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

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>
09/30/12	\$ 2,434,516	100.5%	(422,074)
09/30/11	2,462,427	99.2%	(410,151)
09/30/10	2,587,003	99.6%	(428,663)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Required Contributions (ARC)	\$ 2,446,439	2,443,915	2,576,441
Interest on Net Pension Obligation (NPO)	(30,761)	(32,150)	(32,942)
Adjustment to ARC	<u>18,838</u>	<u>50,662</u>	<u>43,504</u>
Annual Pension Cost (APC)	2,434,516	2,462,427	2,587,003
Contributions made	<u>2,446,439</u>	<u>2,443,915</u>	<u>2,576,441</u>
Increase (decrease) in NPO	(11,923)	18,512	10,562
NPO at beginning of year	<u>(410,151)</u>	<u>(428,663)</u>	<u>(439,225)</u>
NPO at end of year	<u>\$ (422,074)</u>	<u>(410,151)</u>	<u>(428,663)</u>

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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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, 2012:

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	\$ 1,426,372	1,868,488	1,049,681
Contributions receivable	109,304	69,294	907,943
Investments, at fair value			
Corporate bonds	5,029,420	4,173,207	4,495,124
U.S. Government securities	4,139,461	2,909,369	2,831,915
Common stock	26,132,825	20,505,549	20,609,263
Commercial paper	3,230,139	2,653,762	2,347,590
Real estate	2,076,676	1,609,424	1,505,590
Total investments	<u>40,608,521</u>	<u>31,851,311</u>	<u>31,789,482</u>
Total assets	<u>42,144,197</u>	<u>33,789,093</u>	<u>33,747,106</u>
Liabilities			
Accounts payable	3,002	-	-
DROP payable	-	121,437	-
Deferred contribution	-	35,850	-
Total liabilities	<u>3,002</u>	<u>157,287</u>	<u>-</u>
Net assets			
Held in trust for pension benefits	\$ <u>42,141,195</u>	<u>33,631,806</u>	<u>33,747,106</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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	\$ 735,783	244,363	184,247
Employer contributions	1,666,194	1,690,507	1,611,821
Direct state contributions	-	519,409	834,618
Total contributions	<u>2,401,977</u>	<u>2,454,279</u>	<u>2,630,686</u>
Investment earnings			
Interest and dividend income	909,905	722,139	702,527
Net change in fair value of investments	6,746,571	5,191,642	5,014,300
Less investment expense	<u>(199,727)</u>	<u>(150,644)</u>	<u>(151,112)</u>
Net investment earnings	<u>7,456,749</u>	<u>5,763,137</u>	<u>5,565,715</u>
Total additions	<u>9,858,726</u>	<u>8,217,416</u>	<u>8,196,401</u>
Deductions			
Benefits paid	2,953,236	2,545,235	1,433,555
Refunds of contributions	185,313	-	53,056
General administration	<u>131,781</u>	<u>77,797</u>	<u>52,324</u>
Total deductions	<u>3,270,330</u>	<u>2,623,032</u>	<u>1,538,935</u>
Changes in net assets	6,588,396	5,594,384	6,657,466
Net assets, beginning of year	<u>35,552,799</u>	<u>28,037,422</u>	<u>27,089,640</u>
Net assets, end of year	\$ <u>42,141,195</u>	<u>33,631,806</u>	<u>33,747,106</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, 2012

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, 2012, there were 165 active Plan members. The City's contribution for the year was \$190,440. Covered payroll for the year ended September 30, 2012, was \$9,522,165. Contributions and earnings are returned to participants upon retirement or termination. Employee contributions were \$285,661 for the year ended September 30, 2012.

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 Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Resolution, the most recent of which is Resolution No. 96-7751. The Plan Resolution authorizes participation in the Plan by exempting managers from participating in the General Pension Retirement Plan. The Plan does not issue a stand-alone financial report and is not included in any other retirement system's or entity's financial report. Membership is voluntary and includes all full-time employees whose service to the city is rendered on a contractual or fee basis except the city attorney.

Employee and employer contributions are 100% vested immediately.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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

As of September 30, 2012, 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 \$50,293. Covered payroll for the year ended September 30, 2012, was \$904,319. Employee contributions were \$68,017 for the year ended September 30, 2012.

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, 2012:

Statements of Fiduciary Net Assets

	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>
Assets		
Investments, at fair value		
Mutual funds	\$ 5,711,316	760,739
Total investments	<u>5,711,316</u>	<u>760,739</u>
Total assets	<u>5,711,316</u>	<u>760,739</u>
Net assets		
Held in trust for pension benefits	\$ <u>5,711,316</u>	<u>760,739</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

Statements of Changes in Fiduciary Net Assets

	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>
Additions		
Contributions		
Employee contributions	\$ 285,661	68,017
Employer contributions	190,440	50,293
Total contributions	<u>476,101</u>	<u>118,310</u>
Investment earnings		
Interest and dividend income	65,067	2,682
Net change in fair value of investments	694,580	91,093
Less investment expense	<u>(15,493)</u>	<u>(584)</u>
Net investment earnings	744,154	93,191
Total additions	<u>1,220,255</u>	<u>211,501</u>
Deductions		
Refunds of contributions	<u>375,659</u>	<u>69,260</u>
Total deductions	<u>375,659</u>	<u>69,260</u>
Changes in net assets	844,596	142,241
Net assets, beginning of year	<u>4,866,720</u>	<u>618,498</u>
Net assets, end of year	\$ <u>5,711,316</u>	<u>760,739</u>

(K) ***Other post-employment benefits***

Plan Description. The Post-employment Health Care 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, 2012, there were 29 retirees and eligible dependents receiving post employment health care benefits along with 179 retirees participating in life insurance benefits.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

Funding Policy—Contribution requirements for the Post-employment Health Care 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 2011-12 fiscal year the City provided required contributions of \$351,611 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 \$254,473. 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>
10/1/2011	\$ -	9,517	9,517	0%	24,449	39%

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Normal cost	\$ 422,628	353,847	372,237
Amortization of unfunded actuarial accrued liability	359,460	244,674	259,588
Annual required contribution	782,088	598,521	631,825
Interest on Net OPEB obligation	31,179	18,658	5,984
Adjustment to annual required contribution	(28,870)	(16,659)	(5,158)
Total expense or annual OPEB cost	784,397	600,520	632,651
Actual contribution toward OPEB cost	(351,611)	(287,502)	(315,784)
Increase in net OPEB obligation	432,786	313,018	316,867
Net OPEB obligation, beginning of year	779,478	466,460	149,593
Net OPEB obligation, end of year	\$ <u>1,212,264</u>	<u>779,478</u>	<u>466,460</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

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, 2012, was as follows:

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

Fiscal Year Ended	Annual OPEB Cost (AOC)	% of AOC Contributed	Net OPEB Obligation
09/30/10	\$ 632,651	49.91%	466,460
09/30/11	600,520	47.88%	779,478
09/30/12	784,397	44.83%	1,212,264

Actuarial Methods and Assumptions—Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City's OPEB actuarial valuation for the 2011-2012 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 27 year remaining amortization period. Although the OPEB liability is currently unfunded, the actuarial assumptions included a 4.0% rate of return on invested assets (including inflation at 3%), which is the City's long-term expectation of investment returns under its investment policy. The actuarial assumptions included projected salary increases ranging from 4.5% to 10% per year (including inflation at 3%), and a 4% payroll growth assumption. The initial trend rate was 5% for the first year, 8% for the second year, and 5.35% for the ultimate trend rate.

(L) **Contingencies**

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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

ii. Federal and State Assistance Programs

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

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 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		200,000
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, \$85,336 and \$337,546 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, 2012. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2012, \$3,309,882 was accrued for estimated self-insurance claims. For the past three fiscal years, the City's insurance settlements have not exceeded the insurance coverage and there were no significant reductions in insurance coverage from the previous year.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

A reconciliation of estimated claims liabilities is as follows:

	<u>Risk management</u>	<u>Health benefits</u>	<u>Total</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	2,615,000	348,000	2,963,000
Current year claims incurred and change in estimates	2,125,541	4,205,966	6,331,507
Claim payments	<u>(1,822,541)</u>	<u>(4,162,084)</u>	<u>(5,984,625)</u>
Balance September 30, 2012	\$ <u>2,918,000</u>	<u>391,882</u>	<u>3,309,882</u>

iv. Construction Projects

At September 30, 2012, 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	3,155,111	1,649,297
Engineers	432,302	338,766	93,536
Solid Waste Transfer Station			
Contractors	2,954,656	-	2,954,656
Engineers	209,611	209,611	-

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2012

(M) Subsequent Events

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

Debt:

Effective October 15, 2012, the City of Naples, Florida, paid off General Obligation Bonds, Series 2004 in the amount of \$1,690,000.

On February 27, 2013, the City issued Public Utilities Refunding Revenue Bond, Series 2013 in the amount of \$12,225,535, to currently refund all outstanding State Revolving Fund loans in the Water and Sewer Fund and Stormwater Fund. Interest on the bonds is 1.34% with final payment on October 1, 2021.

On February 27, 2013, the City issued Capital Improvement Refunding Revenue Note, Series 2013 in the amount of \$14,000,000, to currently refund the Capital Improvement Refunding Revenue Note, Series 2010. Interest on the note is 1.42% with final payment on December 1, 2021.

Capital:

On January 10, 2013, the City purchased the Woman's Club of Naples property in the amount of \$1,536,969.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NAPLES, FLORIDA

General Fund

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

Year Ended September 30, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues				
Taxes				
Ad valorem	\$ 15,877,655	15,877,655	16,099,128	221,473
Local communication and business	2,493,335	2,493,335	2,850,491	357,156
Insurance premium tax	-	1,354,027	1,354,027	-
Permits, fees, and assessments	3,603,800	3,603,800	3,472,225	(131,575)
Intergovernmental	3,189,000	3,194,130	3,099,588	(94,542)
Charges for services	1,636,990	1,636,990	1,718,264	81,274
Charges to other funds	3,680,442	3,680,442	3,681,838	1,396
Fines and forfeitures	178,200	178,200	196,481	18,281
Interest	250,000	250,000	93,508	(156,492)
Donations			10,000	10,000
Miscellaneous	15,000	15,000	5,057	(9,943)
Total revenues	<u>30,924,422</u>	<u>32,283,579</u>	<u>32,580,607</u>	<u>297,028</u>
Expenditures				
Current				
General government				
Mayor and City Council	349,682	348,531	348,088	443
City Attorney	503,828	503,828	491,784	12,044
City Clerk	513,312	518,839	515,080	3,759
City Manager	572,099	572,099	525,594	46,505
Human resources	473,491	473,491	446,033	27,458
Planning	427,979	427,979	419,152	8,827
Finance	1,630,801	1,630,801	1,539,470	91,331
Nondepartmental	3,773,417	4,036,067	3,688,399	347,668
Total general government	<u>8,244,609</u>	<u>8,511,635</u>	<u>7,973,600</u>	<u>538,035</u>
Public safety				
Fire	7,957,640	8,794,068	8,948,780	(154,712)
Police	10,793,759	11,303,223	11,345,143	(41,920)
Code inspections	155,820	155,820	151,449	4,371
Total public safety	<u>18,907,219</u>	<u>20,253,111</u>	<u>20,445,372</u>	<u>(192,261)</u>
Physical and economic environment				
Natural resources	390,491	404,491	382,618	21,873
Total physical and economic environment	<u>390,491</u>	<u>404,491</u>	<u>382,618</u>	<u>21,873</u>
Culture and recreation				
Community services	5,563,904	5,551,799	5,167,519	384,280
Total culture and recreation	<u>5,563,904</u>	<u>5,551,799</u>	<u>5,167,519</u>	<u>384,280</u>

CITY OF NAPLES, FLORIDA

General Fund

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

Year Ended September 30, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Capital outlay				
General government				
Mayor and City Council	\$ 10,000	11,151	11,151	-
Nondepartmental	-	77,221	52,503	24,718
Public safety				
Fire	15,000	36,000	33,516	2,484
Police	-	20,138	20,137	1
Culture and recreation				
Community services	25,000	-	-	-
Total capital outlay	<u>50,000</u>	<u>144,510</u>	<u>117,307</u>	<u>27,203</u>
Total expenditures	33,156,223	34,865,546	34,086,416	779,130
Excess (deficiency) of revenues over (under) expenditures	<u>(2,231,801)</u>	<u>(2,581,967)</u>	<u>(1,505,809)</u>	<u>1,076,158</u>
Other financing sources (uses)				
Transfers in	2,063,610	2,063,610	2,063,610	-
Transfers out	(50,000)	(239,039)	(239,039)	-
Proceeds from sale of capital assets	3,500	3,500	3,505	5
Total other financing sources (uses)	<u>2,017,110</u>	<u>1,828,071</u>	<u>1,828,076</u>	<u>5</u>
Change in fund balances	(214,691)	(753,896)	322,267	1,076,163
Fund balances, beginning of year	<u>19,247,692</u>	<u>19,247,692</u>	<u>19,247,692</u>	-
Fund balances, end of year	\$ <u><u>19,033,001</u></u>	<u><u>18,493,796</u></u>	<u><u>19,569,959</u></u>	<u><u>1,076,163</u></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, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues				
Taxes				
Ad valorem	\$ 476,120	476,120	476,120	-
Intergovernmental	1,438,240	1,438,240	1,438,240	-
Interest	36,500	36,500	13,254	(23,246)
Miscellaneous	1,230	1,230	-	(1,230)
Total revenues	<u>1,952,090</u>	<u>1,952,090</u>	<u>1,927,614</u>	<u>(24,476)</u>
Expenditures				
Current				
Economic development	934,979	935,935	818,718	117,217
Capital outlay				
Economic development	200,000	284,839	37,850	246,989
Total expenditures	<u>1,134,979</u>	<u>1,220,774</u>	<u>856,568</u>	<u>364,206</u>
Excess of revenues over expenditures	<u>817,111</u>	<u>731,316</u>	<u>1,071,046</u>	<u>339,730</u>
Other financing sources (uses)				
Transfers out	<u>(1,016,733)</u>	<u>(1,566,733)</u>	<u>(1,528,569)</u>	<u>38,164</u>
Total other financing sources (uses)	<u>(1,016,733)</u>	<u>(1,566,733)</u>	<u>(1,528,569)</u>	<u>38,164</u>
Changes in fund balance	(199,622)	(835,417)	(457,523)	377,894
Fund balances, beginning of year	<u>3,116,863</u>	<u>3,116,863</u>	<u>3,116,863</u>	-
Fund balances, end of year	<u>\$ 2,917,241</u>	<u>2,281,446</u>	<u>2,659,340</u>	<u>377,894</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, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues				
Taxes				
Motor fuel taxes	\$ 1,390,000	1,390,000	1,397,806	7,806
Permits, fees, and assessments	200,000	200,000	200,000	-
Intergovernmental	364,000	364,000	357,591	(6,409)
Interest	50,000	50,000	18,645	(31,355)
Miscellaneous	1,000	1,000	21	(979)
Total revenues	<u>2,005,000</u>	<u>2,005,000</u>	<u>1,974,063</u>	<u>(30,937)</u>
Expenditures				
Current				
Transportation	2,401,368	2,717,150	2,069,396	647,754
Capital outlay				
Transportation	285,000	422,169	262,451	159,718
Total expenditures	<u>2,686,368</u>	<u>3,139,319</u>	<u>2,331,847</u>	<u>807,472</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(681,368)</u>	<u>(1,134,319)</u>	<u>(357,784)</u>	<u>776,535</u>
Other financing sources				
Transfers in	-	95,500	95,500	-
Proceeds from sale of capital assets	-	-	869	869
Total other financing sources	<u>-</u>	<u>95,500</u>	<u>96,369</u>	<u>869</u>
Net changes in fund balances	<u>(681,368)</u>	<u>(1,038,819)</u>	<u>(261,415)</u>	<u>777,404</u>
Fund balances, beginning of year	<u>4,285,042</u>	<u>4,285,042</u>	<u>4,285,042</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,603,674</u>	<u>3,246,223</u>	<u>4,023,627</u>	<u>777,404</u>

THE CITY OF NAPLES, FLORIDA

Notes to Required Supplementary Information

September 30, 2012

Basis of Presentation

The budget was adopted on a basis consistent with generally accepted accounting principles using the modified accrual basis of accounting. Expenditures were controlled at the fund level.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2012
(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
10/01/12	\$ 40,286	58,018	17,732	69%	15,662	113%
10/01/11	40,504	56,408	15,904	72%	15,028	106%
10/01/10	40,623	63,179	22,556	64%	15,831	142%
10/01/09	39,082	60,137	21,055	65%	16,207	130%
10/01/08	37,871	51,629	13,758	73%	15,780	87%
10/01/07	38,726	46,673	7,947	83%	13,816	58%

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

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
9/30/12	\$ 1,666	1,666	100%
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%

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2012
(Unaudited)

**Police Officers' 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
10/01/12	\$ 32,249	54,399	22,150	59%	5,035	440%
10/01/11	31,260	57,751	26,491	54%	5,016	528%
10/01/10	30,894	53,574	22,680	58%	5,490	413%
10/01/09	29,816	49,470	19,654	60%	5,738	343%
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%

**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
9/30/12	\$ 2,210	1,691	519	100%
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%

* Frozen pursuant to the provisions of Chapter 185, Florida Statutes, as amended.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2012
(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
10/01/12	\$ 32,388	53,780	21,392	60%	3,545	603%
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%

**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
9/30/12	\$ 2,446	1,612	835	100%
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%

* Frozen pursuant to the provisions of Chapter 175, Florida Statutes, as amended.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2012
(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
10/1/2011	\$ -	9,517	9,517	0%	24,449	39%
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
9/30/12	\$ 782	352	45%	1,212
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 and Zoning Fund—To account for the activities related to the construction industry in the City.

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

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

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

Grants Fund—To account for 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 or the construction or reconstruction of public open space in the Downtown District.

Parking Trust Fund—To account for the receipt and disbursement of monies used for the purpose of construction or reconstruction of parking spaces in the Downtown District.

Port Royal Dredging District—To account for the receipt and disbursement of monies used for the purpose of maintenance dredging in the canals and waterways within the area or boundary of the district of Port Royal.

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

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

Capital Projects Funds

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

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

Land Conservation Trust Fund—To account for the receipt and disbursement of monies used for the acquisition of park land.

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2012

	Special Revenue Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 9,418,830	1,397,050	10,815,880
Accounts receivable	2,244	-	2,244
Accrued interest	15,484	2,026	17,510
Due from other governments	270,742	-	270,742
Total assets	<u>\$ 9,707,300</u>	<u>1,399,076</u>	<u>11,106,376</u>
Liabilities			
Accounts payable	\$ 322,147	-	322,147
Accrued payroll	38,094	-	38,094
Due to other funds	234,953	-	234,953
Advances payable to other funds	1,473,254	-	1,473,254
Customer deposits	43,533	-	43,533
Deferred revenue	21,080	-	21,080
Total liabilities	<u>2,133,061</u>	<u>-</u>	<u>2,133,061</u>
Fund balances			
Restricted	6,220,301	630,212	6,850,513
Committed	1,767,947	768,864	2,536,811
Assigned	157,658	-	157,658
Unassigned	(571,667)	-	(571,667)
Total fund balances	<u>7,574,239</u>	<u>1,399,076</u>	<u>8,973,315</u>
Total liabilities and fund balances	<u>\$ 9,707,300</u>	<u>1,399,076</u>	<u>11,106,376</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2012

	Special Revenue Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes—property	\$ 217,136	-	217,136
Permits, fees and assessments	3,419,733	397,455	3,817,188
Intergovernmental	278,998	-	278,998
Charges for services	413,679	-	413,679
Fines and forfeitures	265,056	-	265,056
Interest	29,395	5,605	35,000
Donations	94,116	-	94,116
Miscellaneous	4,195	-	4,195
	<u>4,722,308</u>	<u>403,060</u>	<u>5,125,368</u>
Total revenues			
Expenditures			
Current			
General government	2,384	-	2,384
Public safety	2,725,713	-	2,725,713
Economic and physical development	574,779	-	574,779
Culture and recreation	10,348	-	10,348
Capital outlay			
Public safety	146,320	-	146,320
Economic and physical development	1,579,485	-	1,579,485
Transportation	26,443	-	26,443
Debt service			
Interest	42,254	-	42,254
	<u>5,107,726</u>	<u>-</u>	<u>5,107,726</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(385,418)</u>	<u>403,060</u>	<u>17,642</u>
Other financing sources			
Transfers in	355,270	-	355,270
Proceeds from sale of capital assets	2,184	-	2,184
	<u>357,454</u>	<u>-</u>	<u>357,454</u>
Total other financing sources			
Change in fund balances	(27,964)	403,060	375,096
Fund balances, beginning of year	7,602,203	996,016	8,598,219
Fund balances, end of year	\$ <u>7,574,239</u>	<u>1,399,076</u>	<u>8,973,315</u>

CITY OF NAPLES, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Special Revenue Funds
September 30, 2012

	Building and Zoning Fund	Community Development Block Grant Fund	Improvement Fund	Public Arts Fund	Grants Fund	Confiscated Properties Fund
Assets						
Cash and investments	\$ 5,718,936	-	242,590	229,072	-	396,900
Accounts receivable	-	-	2,244	-	-	-
Accrued interest	8,910	-	-	154	-	375
Due from other governments	-	180,850	-	-	89,892	-
Total assets	<u>\$ 5,727,846</u>	<u>180,850</u>	<u>244,834</u>	<u>229,226</u>	<u>89,892</u>	<u>397,275</u>
Liabilities						
Accounts payable	\$ 91,722	-	7,000	-	-	10,594
Accrued payroll	38,094	-	-	-	-	-
Due to other funds	-	145,061	-	-	89,892	-
Advances payable to other funds	-	-	-	-	-	-
Customer deposits	-	-	-	43,533	-	-
Deferred revenue	-	-	2,244	-	-	-
Total liabilities	<u>129,816</u>	<u>145,061</u>	<u>9,244</u>	<u>43,533</u>	<u>89,892</u>	<u>10,594</u>
Fund balances						
Restricted	5,598,030	-	235,590	-	-	386,681
Committed	-	-	-	185,693	-	-
Assigned	-	35,789	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>5,598,030</u>	<u>35,789</u>	<u>235,590</u>	<u>185,693</u>	<u>-</u>	<u>386,681</u>
Total liabilities and fund balances	<u>\$ 5,727,846</u>	<u>180,850</u>	<u>244,834</u>	<u>229,226</u>	<u>89,892</u>	<u>397,275</u>

Business Improvement District Fund	41-10 Public Open Space Fund	Parking Trust Fund	Port Royal Dredging District Fund	East Naples Bay District Fund	Moorings Bay District Fund	Total Nonmajor Special Revenue
4,044	155,922	354,951	161,389	1,091,563	1,063,463	9,418,830
-	-	-	-	-	-	2,244
-	1,160	810	-	2,171	1,904	15,484
-	-	-	-	-	-	270,742
<u>4,044</u>	<u>157,082</u>	<u>355,761</u>	<u>161,389</u>	<u>1,093,734</u>	<u>1,065,367</u>	<u>9,707,300</u>
-	-	-	20,684	192,147	-	322,147
-	-	-	-	-	-	38,094
-	-	-	-	-	-	234,953
-	-	-	-	1,473,254	-	1,473,254
-	-	-	-	-	-	43,533
-	-	-	18,836	-	-	21,080
-	-	-	<u>39,520</u>	<u>1,665,401</u>	-	<u>2,133,061</u>
-	-	-	-	-	-	6,220,301
4,044	157,082	355,761	-	-	1,065,367	1,767,947
-	-	-	121,869	-	-	157,658
-	-	-	-	(571,667)	-	(571,667)
<u>4,044</u>	<u>157,082</u>	<u>355,761</u>	<u>121,869</u>	<u>(571,667)</u>	<u>1,065,367</u>	<u>7,574,239</u>
<u>4,044</u>	<u>157,082</u>	<u>355,761</u>	<u>161,389</u>	<u>1,093,734</u>	<u>1,065,367</u>	<u>9,707,300</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Special Revenue Funds
Year Ended September 30, 2012

	Building and Zoning Fund	Community Development Block Grant Fund	Improvement Fund	Public Arts Fund	Grants Fund
Revenues					
Taxes—property	\$ -	-	-	-	-
Permits, fees and assessments	3,166,171	-	-	-	-
Intergovernmental	-	180,850	-	-	98,148
Charges for services	274,406	10,000	-	129,273	-
Fines and forfeitures	-	-	-	-	-
Interest	19,214	-	-	532	-
Donations	-	-	94,116	-	-
Miscellaneous	4,195	-	-	-	-
Total revenues	<u>3,463,986</u>	<u>190,850</u>	<u>94,116</u>	<u>129,805</u>	<u>98,148</u>
Expenditures					
Current					
General government	-	-	2,384	-	-
Public safety	2,670,135	-	25,576	-	-
Economic and physical development	-	-	7,000	-	71,705
Culture and recreation	-	-	10,348	-	-
Capital outlay					
Public safety	123,528	-	-	-	-
Economic and physical development	-	160,697	-	-	-
Transportation	-	-	-	-	26,443
Debt service					
Interest	-	-	-	-	-
Total expenditures	<u>2,793,663</u>	<u>160,697</u>	<u>45,308</u>	<u>-</u>	<u>98,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>670,323</u>	<u>30,153</u>	<u>48,808</u>	<u>129,805</u>	<u>-</u>
Other financing sources					
Transfers in	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	670,323	30,153	48,808	129,805	-
Fund balances, beginning of year	4,927,707	5,636	186,782	55,888	-
Fund balances, end of year	<u>\$ 5,598,030</u>	<u>35,789</u>	<u>235,590</u>	<u>185,693</u>	<u>-</u>

Confiscated Properties Fund	Business Improvement District Fund	41-10 Public Open Space Fund	Parking Trust Fund	Port Royal Dredging District Fund	East Naples Bay District Fund	Moorings Bay District Fund	Total Nonmajor Special Revenue
-	-	-	-	-	183,587	33,549	217,136
-	253,562	-	-	-	-	-	3,419,733
-	-	-	-	-	-	-	278,998
-	-	-	-	-	-	-	413,679
265,056	-	-	-	-	-	-	265,056
600	-	570	1,298	-	3,287	3,894	29,395
-	-	-	-	-	-	-	94,116
-	-	-	-	-	-	-	4,195
<u>265,656</u>	<u>253,562</u>	<u>570</u>	<u>1,298</u>	<u>-</u>	<u>186,874</u>	<u>37,443</u>	<u>4,722,308</u>
-	-	-	-	-	-	-	2,384
30,002	-	-	-	-	-	-	2,725,713
-	251,262	-	-	233,401	204	11,207	574,779
-	-	-	-	-	-	-	10,348
22,792	-	-	-	-	-	-	146,320
-	-	-	-	-	1,418,788	-	1,579,485
-	-	-	-	-	-	-	26,443
-	-	-	-	-	42,254	-	42,254
<u>52,794</u>	<u>251,262</u>	<u>-</u>	<u>-</u>	<u>233,401</u>	<u>1,461,246</u>	<u>11,207</u>	<u>5,107,726</u>
<u>212,862</u>	<u>2,300</u>	<u>570</u>	<u>1,298</u>	<u>(233,401)</u>	<u>(1,274,372)</u>	<u>26,236</u>	<u>(385,418)</u>
-	-	-	-	355,270	-	-	355,270
2,184	-	-	-	-	-	-	2,184
<u>2,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355,270</u>	<u>-</u>	<u>-</u>	<u>357,454</u>
215,046	2,300	570	1,298	121,869	(1,274,372)	26,236	(27,964)
171,635	1,744	156,512	354,463	-	702,705	1,039,131	7,602,203
<u>386,681</u>	<u>4,044</u>	<u>157,082</u>	<u>355,761</u>	<u>121,869</u>	<u>(571,667)</u>	<u>1,065,367</u>	<u>7,574,239</u>

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Capital Projects Funds

September 30, 2012

	Capital Project Funds		Total Nonmajor Capital Projects Funds
	Impact Fee Fund	Land Conservation Trust	
Assets			
Cash and investments	\$ 629,605	767,445	1,397,050
Accrued interest	607	1,419	2,026
Total assets	<u>\$ 630,212</u>	<u>768,864</u>	<u>1,399,076</u>
Liabilities			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Restricted	630,212	-	630,212
Committed	<u>-</u>	<u>768,864</u>	<u>768,864</u>
Total fund balances	<u>630,212</u>	<u>768,864</u>	<u>1,399,076</u>
Total liabilities and fund balances	<u>\$ 630,212</u>	<u>768,864</u>	<u>1,399,076</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Capital Projects Funds

Year Ended September 30, 2012

	<u>Capital Project Funds</u>		<u>Total Nonmajor Capital Projects Funds</u>
	<u>Impact Fee Fund</u>	<u>Land Conservation Trust</u>	
Revenues			
Permits, fees and assessments	\$ 397,455	-	397,455
Interest	<u>2,156</u>	<u>3,449</u>	<u>5,605</u>
Total revenues	<u>399,611</u>	<u>3,449</u>	<u>403,060</u>
Expenditures			
Current			
Economic and physical development	-	-	-
Capital outlay			
Economic and physical development	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	399,611	3,449	403,060
Fund balances, beginning of year	<u>230,601</u>	<u>765,415</u>	<u>996,016</u>
Fund balances, end of year	\$ <u><u>630,212</u></u>	\$ <u><u>768,864</u></u>	\$ <u><u>1,399,076</u></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, 2012

	Building and Zoning Fund			
	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Permits, fees and assessments	\$ 1,951,200	1,951,200	3,166,171	1,214,971
Intergovernmental	-	-	-	-
Charges for services	265,186	265,186	274,406	9,220
Interest	41,000	41,000	19,214	(21,786)
Miscellaneous	3,000	3,000	4,195	1,195
Total revenues	<u>2,260,386</u>	<u>2,260,386</u>	<u>3,463,986</u>	<u>1,203,600</u>
Expenditures				
Current				
Public safety	2,600,941	2,783,500	2,670,135	113,365
Capital outlay:				
Public safety	146,056	157,067	123,528	33,539
Economic and physical development	-	-	-	-
Total expenditures	<u>2,746,997</u>	<u>2,940,567</u>	<u>2,793,663</u>	<u>146,904</u>
Change in fund balances	(486,611)	(680,181)	670,323	1,350,504
Fund balances, beginning of year	<u>4,927,707</u>	<u>4,927,707</u>	<u>4,927,707</u>	-
Fund balances, end of year	<u><u>\$ 4,441,096</u></u>	<u><u>4,247,526</u></u>	<u><u>5,598,030</u></u>	<u><u>1,350,504</u></u>

Community Development Block Grant Fund

Original budget	Final budget	Actual	Variance with final budget positive (negative)
-	-	-	-
100,945	201,226	180,850	(20,376)
10,000	10,000	10,000	-
-	-	-	-
-	-	-	-
<u>110,945</u>	<u>211,226</u>	<u>190,850</u>	<u>(20,376)</u>
-	-	-	-
-	-	-	-
<u>100,945</u>	<u>201,226</u>	<u>160,697</u>	<u>40,529</u>
<u>100,945</u>	<u>201,226</u>	<u>160,697</u>	<u>40,529</u>
10,000	10,000	30,153	20,153
5,636	5,636	5,636	-
<u>15,636</u>	<u>15,636</u>	<u>35,789</u>	<u>20,153</u>

(Continued)

CITY OF NAPLES, FLORIDA
 Nonmajor Special Revenue Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 Year Ended September 30, 2012

	Confiscated Properties Fund			Variance with final budget positive (negative)
	Original budget	Final budget	Actual	
Revenues				
Permits, fees and assessments	-	-	-	-
Intergovernmental	-	-	-	-
Fines and forfeitures	-	157,357	265,056	107,699
Interest	-	-	600	600
Total revenues	<u>-</u>	<u>157,357</u>	<u>265,656</u>	<u>108,299</u>
Expenditures				
Current				
Public safety	-	92,357	30,002	62,355
Economic and physical development	-	-	-	-
Capital outlay				
Public safety	-	65,000	22,792	42,208
Transportation	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>157,357</u>	<u>52,794</u>	<u>104,563</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>212,862</u>	<u>212,862</u>
Other financing sources				
Proceeds from sale of capital assets	-	-	2,184	(2,184)
Change in fund balances	-	-	215,046	215,046
Fund balances, beginning of year	<u>171,635</u>	<u>171,635</u>	<u>171,635</u>	<u>-</u>
Fund balances, end of year	<u><u>171,635</u></u>	<u><u>171,635</u></u>	<u><u>386,681</u></u>	<u><u>215,046</u></u>

Grants Fund				Business Improvement District			
Original budget	Final budget	Actual	Variance with final budget positive (negative)	Original budget	Final budget	Actual	Variance with final budget positive (negative)
-	-	-	-	285,354	285,354	253,562	(31,792)
-	120,563	98,148	(22,415)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	120,563	98,148	(22,415)	285,354	285,354	253,562	(31,792)
-	-	-	-	-	-	-	-
-	82,738	71,705	11,033	285,354	285,354	251,262	34,092
-	-	-	-	-	-	-	-
-	30,365	26,443	3,922	-	-	-	-
-	7,460	-	7,460	-	-	-	-
-	120,563	98,148	22,415	285,354	285,354	251,262	34,092
-	-	-	-	-	-	2,300	2,300
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,300	2,300
-	-	-	-	1,744	1,744	1,744	-
-	-	-	-	1,744	1,744	4,044	2,300

CITY OF NAPLES, FLORIDA

Nonmajor Capital Projects Funds

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year Ended September 30, 2012

	Port Royal Dredging District Fund			
	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Taxes				
Property	\$ -	-	-	-
Interest	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Current				
Economic and physical development	-	355,270	233,401	121,869
Capital outlay				
Economic and physical development	-	-	-	-
Debt service				
Interest	-	-	-	-
Total expenditures	-	355,270	233,401	121,869
Excess (deficiency) of revenues over (under) expenditures	-	(355,270)	(233,401)	121,869
Other financing sources				
Transfer in		355,270	355,270	-
Total other financing sources	-	355,270	355,270	-
Change in fund balances	-	-	121,869	121,869
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	-	121,869	121,869

East Naples Bay District Fund				Moorings Bay District Fund			
Original budget	Final budget	Actual	Variance with final budget positive (negative)	Original budget	Final budget	Actual	Variance with final budget positive (negative)
180,340	180,340	183,587	3,247	33,130	33,130	33,549	419
4,500	4,500	3,287	(1,213)	9,250	9,250	3,894	(5,356)
184,840	184,840	186,874	2,034	42,380	42,380	37,443	(4,937)
5,250	8,863	204	8,659	19,250	63,035	11,207	51,828
-	2,096,716	1,418,788	677,928	-	-	-	-
175,000	175,000	42,254	132,746	-	-	-	-
180,250	2,280,579	1,461,246	819,333	19,250	63,035	11,207	51,828
4,590	(2,095,739)	(1,274,372)	821,367	23,130	(20,655)	26,236	46,891
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,590	(2,095,739)	(1,274,372)	821,367	23,130	(20,655)	26,236	46,891
702,705	702,705	702,705	-	1,039,131	1,039,131	1,039,131	-
707,295	(1,393,034)	(571,667)	821,367	1,062,261	1,018,476	1,065,367	46,891

CITY OF NAPLES, FLORIDA

Debt Service Fund

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

Year Ended September 30, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues				
Taxes				
Ad valorem	\$ 589,784	589,784	598,359	8,575
Utility	2,882,585	2,882,585	2,987,705	105,120
Interest	3,500	3,500	40	(3,460)
Total revenues	<u>3,475,869</u>	<u>3,475,869</u>	<u>3,586,104</u>	<u>110,235</u>
Expenditures				
Current				
General government	61,361	61,361	61,361	-
Total general government	<u>61,361</u>	<u>61,361</u>	<u>61,361</u>	<u>-</u>
Debt service				
Principal	1,904,000	1,904,000	1,844,000	60,000
Interest and fiscal charges	407,983	407,983	402,988	4,995
Total debt service	<u>2,311,983</u>	<u>2,311,983</u>	<u>2,246,988</u>	<u>64,995</u>
Total expenditures	<u>2,373,344</u>	<u>2,373,344</u>	<u>2,308,349</u>	<u>64,995</u>
Excess of revenues over expenditures	<u>1,102,525</u>	<u>1,102,525</u>	<u>1,277,755</u>	<u>175,230</u>
Other financing sources (uses)				
Transfers in	978,569	978,569	978,569	-
Transfers out	(2,260,000)	(2,260,000)	(2,260,000)	-
Total other financing sources (uses)	<u>(1,281,431)</u>	<u>(1,281,431)</u>	<u>(1,281,431)</u>	<u>-</u>
Change in fund balance	(178,906)	(178,906)	(3,676)	175,230
Fund balances, beginning of year	<u>1,437,394</u>	<u>1,437,394</u>	<u>1,437,394</u>	<u>-</u>
Fund balances, end of year	\$ <u><u>1,258,488</u></u>	<u><u>1,258,488</u></u>	<u><u>1,433,718</u></u>	<u><u>175,230</u></u>

CITY OF NAPLES, FLORIDA

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year Ended September 30, 2012

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Permits, fees and assessments	\$ 61,500	61,500	49,813	(11,687)
Interest	65,000	65,000	54,404	(10,596)
Miscellaneous	-	100,000	100,000	-
Total revenues	126,500	226,500	204,217	(22,283)
Expenditures				
Current				
General government	70,549	77,229	92,993	(15,764)
Public safety	-	20,284	21,259	(975)
Culture and recreation	-	684	11,327	(10,643)
Total current expenditures	70,549	98,197	125,579	(27,382)
Capital projects				
City Clerk	6,680	6,680	-	6,680
Finance	300,000	786,000	266,033	519,967
Fire	427,500	1,335,744	786,081	549,663
Police	351,515	360,240	180,913	179,327
Culture and recreation	1,816,800	2,106,180	1,754,429	351,751
Nondepartmental	165,549	149,224	36,559	112,665
Total capital projects	3,068,044	4,744,068	3,024,015	1,720,053
Total expenditures	3,138,593	4,842,265	3,149,594	1,692,671
Excess (deficiency) of revenues over (under) expenditures	(3,012,093)	(4,615,765)	(2,945,377)	1,670,388
Other financing sources (uses)				
Transfers in	2,298,164	2,941,703	2,903,539	(38,164)
Transfers out	(500,000)	(855,270)	(355,270)	500,000
Proceeds from sale of capital assets	23,000	23,000	21,359	(1,641)
Total other financing sources (uses)	1,821,164	2,109,433	2,569,628	460,195
Changes in fund balance	(1,190,929)	(2,506,332)	(375,749)	2,130,583
Fund balances, beginning of year	6,302,160	6,302,160	6,302,160	-
Fund balances, end of year	\$ <u>5,111,231</u>	<u>3,795,828</u>	<u>5,926,411</u>	<u>2,130,583</u>

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Nonmajor Enterprise Funds

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

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

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

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

CITY OF NAPLES, FLORIDA
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2012

Assets	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>	<u>Tennis Fund</u>	<u>Total</u>
Current assets				
Cash and investments	\$ 2,687,838	499,529	263,246	3,450,613
Restricted cash and investments	-	-	5,354	5,354
Receivables (net, where applicable, of allowance for uncollectible)				
Accounts	37,931	11,506	-	49,437
Miscellaneous	-	-	-	-
Accrued interest	7,171	537	733	8,441
Due from other governments	131,850	6,575	-	138,425
Prepays	-	-	-	-
Inventories	-	19,572	3,669	23,241
Total current assets	<u>2,864,790</u>	<u>537,719</u>	<u>273,002</u>	<u>3,675,511</u>
Capital assets				
Buildings and utility plants	1,126,190	89,487	703,269	1,918,946
Improvements other than buildings	4,299,928	2,360,575	82,774	6,743,277
Equipment	755,574	412,266	73,681	1,241,521
Accumulated depreciation	<u>(5,527,745)</u>	<u>(2,696,627)</u>	<u>(522,082)</u>	<u>(8,746,454)</u>
Net capital assets	<u>653,947</u>	<u>165,701</u>	<u>337,642</u>	<u>1,157,290</u>
Total assets	<u>\$ 3,518,737</u>	<u>703,420</u>	<u>610,644</u>	<u>4,832,801</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Net Assets

Nonmajor Enterprise Funds

September 30, 2012

Liabilities	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Current liabilities				
Accounts payable	\$ 105,367	83,682	7,301	196,350
Accrued payroll	12,444	2,968	3,594	19,006
Unearned revenue	-	-	-	-
Customer deposits	-	27,861	-	27,861
Current portion of compensated absences	13,813	1,687	2,413	17,913
Unearned revenue	31,911	36,829		68,740
Current maturities of long-term debt	-	-	55,000	55,000
Total current liabilities	<u>163,535</u>	<u>153,027</u>	<u>68,308</u>	<u>384,870</u>
Current liabilities (payable from restricted assets)				
Current maturities of long-term debt	-	-	5,000	5,000
Accrued interest payable	-	-	354	354
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>-</u>	<u>5,354</u>	<u>5,354</u>
Total current liabilities	<u>163,535</u>	<u>153,027</u>	<u>73,662</u>	<u>390,224</u>
Noncurrent liabilities				
Revenue bonds payable, less current maturities net of unamortized discounts and premiums	-	-	135,000	135,000
Other post-employment benefits	22,360	3,348	5,141	30,849
Compensated absences	36,364	1,020	12,924	50,308
Total noncurrent liabilities	<u>58,724</u>	<u>4,368</u>	<u>153,065</u>	<u>216,157</u>
Total liabilities	<u>222,259</u>	<u>157,395</u>	<u>226,727</u>	<u>606,381</u>
Net Assets				
Invested in capital assets, net of related debt	653,947	165,701	142,642	962,290
Restricted for debt service	-	-	5,000	5,000
Unrestricted	2,642,531	380,324	236,275	3,259,130
Total net assets	<u>\$ 3,296,478</u>	<u>546,025</u>	<u>383,917</u>	<u>4,226,420</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, 2012

	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Operating revenues				
Charges for services	\$ 1,117,695	1,512,844	417,161	3,047,700
Total operating revenues	<u>1,117,695</u>	<u>1,512,844</u>	<u>417,161</u>	<u>3,047,700</u>
Operating expenses				
Personal services	662,997	169,562	207,963	1,040,522
Supplies and services	334,622	1,034,737	162,565	1,531,924
Utilities	90,854	62,358	1,071	154,283
Depreciation and amortization	221,272	74,682	54,486	350,440
General administration	130,524	41,856	40,552	212,932
Other	58,051	-	24,072	82,123
Total operating expenses	<u>1,498,320</u>	<u>1,383,195</u>	<u>490,709</u>	<u>3,372,224</u>
Operating income (loss)	<u>(380,625)</u>	<u>129,649</u>	<u>(73,548)</u>	<u>(324,524)</u>
Nonoperating revenues (expenses)				
Grant revenue	632,000	-	-	632,000
Interest income	10,426	1,935	1,642	14,003
Interest expense	-	-	(4,851)	(4,851)
Total nonoperating revenues (expenses)	<u>642,426</u>	<u>1,935</u>	<u>(3,209)</u>	<u>641,152</u>
Income (loss) before transfers	261,801	131,584	(76,757)	316,628
Transfers in	-	-	50,000	50,000
Change in net assets	261,801	131,584	(26,757)	366,628
Net assets, beginning of year	<u>3,034,677</u>	<u>414,441</u>	<u>410,674</u>	<u>3,859,792</u>
Net assets, end of year	<u>\$ 3,296,478</u>	<u>546,025</u>	<u>383,917</u>	<u>4,226,420</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2012

	Naples Beach Fund	City Dock Fund
Cash flows from operating activities		
Cash received from customers	\$ 1,117,953	1,517,258
Cash payments to suppliers	(406,375)	(1,039,044)
Cash payments for employee services	(646,193)	(171,515)
Cash payments for interfund services	(130,524)	(41,856)
Net cash provided by (used in) operating activities	(65,139)	264,843
Cash flows from noncapital financing activities		
Transfers	-	-
Operating grants	631,000	-
Net cash provided by noncapital financing activities	631,000	-
Cash flows from capital and related financing activities		
Principal paid on long-term debt	-	-
Interest paid on long-term debt	-	-
Acquisition and construction of capital assets	(11,052)	(46,980)
Net cash used in capital and related financing activities	(11,052)	(46,980)
Cash flows from investing activities		
Interest and investment earnings	10,195	1,599
Net cash provided by investing activities	10,195	1,599
Net increase (decrease) in cash and cash equivalents	565,004	219,462
Cash and cash equivalents, beginning of year	2,122,834	280,067
Cash and cash equivalents, end of year	\$ 2,687,838	499,529

Tennis Fund	Total
417,161	3,052,372
(196,629)	(1,642,048)
(207,929)	(1,025,637)
(40,552)	(212,932)
<u>(27,949)</u>	<u>171,755</u>
50,000	50,000
-	631,000
<u>50,000</u>	<u>681,000</u>
(60,000)	(60,000)
(4,960)	(4,960)
(42,350)	(100,382)
<u>(107,310)</u>	<u>(165,342)</u>
<u>1,664</u>	<u>13,458</u>
<u>1,664</u>	<u>13,458</u>
(83,595)	700,871
<u>352,195</u>	<u>2,755,096</u>
<u><u>268,600</u></u>	<u><u>3,455,967</u></u>

(Continued)

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2012

	Naples Beach Fund	City Dock Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (380,625)	129,649
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	221,272	74,682
Changes in assets and liabilities:		
Decrease (increase) in receivables, net	79,411	6,042
Decrease (increase) in due from other governments	-	(1,370)
Decrease (increase) in inventories	-	2,365
Increase (decrease) in accounts payable	77,152	55,686
Increase (decrease) in accrued payroll	277	122
Increase (decrease) in unearned revenue	(79,153)	1,215
Increase (decrease) in customer deposits	-	(1,473)
Increase (decrease) in other post-employment benefits	7,707	1,246
Increase (decrease) in compensated absences	8,820	(3,321)
Net cash provided by (used in) operating activities	\$ (65,139)	264,843

<u>Tennis Fund</u>	<u>Total</u>
(73,548)	(324,524)
54,486	350,440
-	85,453
-	(1,370)
(393)	1,972
(8,528)	124,310
(153)	246
-	(77,938)
-	(1,473)
1,213	10,166
(1,026)	4,473
<u>(27,949)</u>	<u>171,755</u>

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Internal Service Funds

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

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

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

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

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

CITY OF NAPLES, FLORIDA
Combining Statement of Net Assets
Internal Service Funds
September 30, 2012

Assets	Equipment services	Risk management
Current assets		
Cash and investments	\$ 26,914	5,413,811
Receivables–miscellaneous	1,413	-
Accrued interest	376	6,765
Due from other governments	12,701	-
Inventories	212,474	-
Total current assets	253,878	5,420,576
Capital assets		
Buildings	779,289	-
Equipment	320,854	29,906
Accumulated depreciation	(614,048)	(29,906)
Net capital assets	486,095	-
Total assets	739,973	5,420,576
Liabilities		
Current liabilities		
Accounts payable	99,339	18,127
Accrued payroll	12,616	2,413
Unearned revenue	-	149
Total current liabilities	111,955	20,689
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	68,135	3,428
Other post-employment benefits	20,473	2,776
Insurance claims payable	-	2,285,000
Total noncurrent liabilities	98,308	2,926,530
Total liabilities	210,263	2,947,219
Net Assets		
Invested in capital assets, net of related debt	486,094	-
Restricted, flexible benefits	-	-
Unrestricted	43,616	2,473,357
Total net assets	\$ 529,710	2,473,357

Health benefits	Technology services	Total
1,125,127	771,003	7,336,855
4,912	-	6,325
2,847	1,090	11,078
-	-	12,701
-	-	212,474
<u>1,132,886</u>	<u>772,093</u>	<u>7,579,433</u>
-	51,956	831,245
-	1,854,038	2,204,798
-	(1,525,545)	(2,169,499)
-	380,449	866,544
<u>1,132,886</u>	<u>1,152,542</u>	<u>8,445,977</u>
2,733	43,571	163,770
-	17,915	32,944
3,500	-	3,649
<u>6,233</u>	<u>61,486</u>	<u>200,363</u>
-	37,000	49,026
391,882	-	1,024,882
-	40,962	112,525
-	26,164	49,413
-	-	2,285,000
<u>391,882</u>	<u>104,126</u>	<u>3,520,846</u>
<u>398,115</u>	<u>165,612</u>	<u>3,721,209</u>
-	380,449	866,543
171,278	-	171,278
563,493	606,481	3,686,947
<u>734,771</u>	<u>986,930</u>	<u>4,724,768</u>

CITY OF NAPLES, FLORIDA

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

Internal Service Funds

Year Ended September 30, 2012

	<u>Equipment services</u>	<u>Risk management</u>
Operating revenues		
Charges for services	\$ 2,053,783	2,856,819
Operating expenses		
Personal services	692,009	123,761
Supplies, services and claims	419,125	2,243,405
Materials	913,668	-
Utilities	23,666	-
Depreciation and amortization	88,903	-
General administration	119,150	72,381
Other	2,140	4,676
Total operating expenses	<u>2,258,661</u>	<u>2,444,223</u>
Operating income (loss)	(204,878)	412,596
Nonoperating revenues		
Interest income	549	15,984
Gain on sale of capital assets	700	-
Change in net assets	<u>(203,629)</u>	<u>428,580</u>
Net assets, beginning of year	<u>733,339</u>	<u>2,044,777</u>
Net assets, end of year	\$ <u><u>529,710</u></u>	<u><u>2,473,357</u></u>

Health benefits	Technology services	Total
5,850,314	1,842,179	12,603,095
-	939,842	1,755,612
5,889,269	676,183	9,227,982
-	-	913,668
-	-	23,666
-	211,314	300,217
102,000	115,072	408,603
-	-	6,816
5,991,269	1,942,411	12,636,564
(140,955)	(100,232)	(33,469)
3,876	2,999	23,408
-	1,106	1,806
(137,079)	(96,127)	(8,255)
871,850	1,083,057	4,733,023
734,771	986,930	4,724,768

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2012

	<u>Equipment services</u>	<u>Risk management</u>
Cash flows from operating activities		
Cash received from customers	\$ 2,048,459	2,862,760
Cash payments to suppliers for goods and services	(1,462,014)	(1,959,637)
Cash payments for employee services	(678,776)	(124,780)
Cash payments for interfund services	(119,150)	(72,381)
Net cash provided by (used in) operating activities	<u>(211,481)</u>	<u>705,962</u>
Cash flows from capital and related financing activities		
Proceeds from the sale of capital assets	700	-
Acquisition and construction of capital assets	-	-
Net cash provided (used) in capital and related financing activities	<u>700</u>	<u>-</u>
Cash flows from investing activities		
Interest on pooled cash and investments	571	15,457
Net cash provided by investing activities	<u>571</u>	<u>15,457</u>
Net increase (decrease) in cash and cash equivalents	(210,210)	721,419
Cash and cash equivalents, beginning of year	<u>237,124</u>	<u>4,692,392</u>
Cash and cash equivalents, end of year	<u>\$ 26,914</u>	<u>5,413,811</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (204,878)	412,596
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	88,903	-
Changes in assets and liabilities:		
(Increase) decrease in miscellaneous receivables	(1,413)	5,941
(Increase) decrease in due from other governments	(3,911)	-
(Increase) decrease in inventories	(75,175)	-
Increase (decrease) in accounts payable	(28,240)	(14,556)
Increase (decrease) in accrued payroll	(125)	26
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in insurance claims payable	-	303,000
Increase (decrease) in other post-employment benefits	8,406	1,130
Increase (decrease) in compensated absences	4,952	(2,175)
Net cash provided by (used in) operating activities	<u>\$ (211,481)</u>	<u>705,962</u>

Health benefits	Technology services	Total
5,850,137	1,842,179	12,603,535
(5,845,759)	(693,153)	(9,960,563)
-	(911,680)	(1,715,236)
(102,000)	(115,072)	(408,603)
<u>(97,622)</u>	<u>122,274</u>	<u>519,133</u>
-	1,106	1,806
-	(100,916)	(100,916)
-	(99,810)	(99,110)
3,646	2,966	22,640
<u>3,646</u>	<u>2,966</u>	<u>22,640</u>
(93,976)	25,430	442,663
1,219,103	745,573	6,894,192
<u>1,125,127</u>	<u>771,003</u>	<u>7,336,855</u>
(140,955)	(100,232)	(33,469)
-	211,314	300,217
64	-	4,592
-	-	(3,911)
-	-	(75,175)
(372)	(16,970)	(60,138)
-	1,059	960
(241)	-	(241)
43,882	-	346,882
-	9,893	19,429
-	17,210	19,987
<u>(97,622)</u>	<u>122,274</u>	<u>519,133</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, 2012

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Assets			
Cash and cash equivalents	\$ 1,426,372	-	-
Receivables			
Contributions	109,304	-	-
Investments, at fair value			
Corporate bonds	5,029,420	-	-
U.S. Government securities	4,139,461	-	-
Common stock	26,132,825	-	-
Commercial paper	3,230,139	-	-
Real estate	2,076,676	-	-
Mutual funds	-	5,711,316	760,739
Total investments	<u>40,608,521</u>	<u>5,711,316</u>	<u>760,739</u>
Total assets	<u>42,144,197</u>	<u>5,711,316</u>	<u>760,739</u>
Liabilities			
Accounts payable	3,002	-	-
DROP payable	-	-	-
Deferred contributions	-	-	-
Total liabilities	<u>3,002</u>	<u>-</u>	<u>-</u>
Net assets			
Held in trust for pension benefits	\$ <u>42,141,195</u>	<u>5,711,316</u>	<u>760,739</u>

Pension Trust		
Police Officers' Pension Fund	Firefighters' Pension Fund	Total
1,868,488	1,049,681	4,344,541
69,294	907,943	1,086,541
4,173,207	4,495,124	13,697,751
2,909,369	2,831,915	9,880,745
20,505,549	20,609,263	67,247,637
2,653,762	2,347,590	8,231,491
1,609,424	1,505,590	5,191,690
-	-	6,472,055
<u>31,851,311</u>	<u>31,789,482</u>	<u>110,721,369</u>
<u>33,789,093</u>	<u>33,747,106</u>	<u>116,152,451</u>
-	-	3,002
121,437	-	121,437
35,850	-	35,850
<u>157,287</u>	<u>-</u>	<u>160,289</u>
<u><u>33,631,806</u></u>	<u><u>33,747,106</u></u>	<u><u>115,992,162</u></u>

CITY OF NAPLES, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year Ended September 30, 2012

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Additions			
Contributions			
Employee contributions	\$ 735,783	285,661	68,017
Employer contributions	1,666,194	190,440	50,293
State contributions	-	-	-
Total contributions	<u>2,401,977</u>	<u>476,101</u>	<u>118,310</u>
Investment earnings			
Interest and dividend income	909,905	65,067	2,682
Net change in fair value of investments	6,746,571	694,580	91,093
Less investment expense	<u>(199,727)</u>	<u>(15,493)</u>	<u>(584)</u>
Net investment earnings	<u>7,456,749</u>	<u>744,154</u>	<u>93,191</u>
Total additions	<u>9,858,726</u>	<u>1,220,255</u>	<u>211,501</u>
Deductions			
Benefits paid	2,953,236	-	-
Refunds of contributions	185,313	375,659	69,260
General administration	<u>131,781</u>	<u>-</u>	<u>-</u>
Total deductions	<u>3,270,330</u>	<u>375,659</u>	<u>69,260</u>
Changes in net assets	6,588,396	844,596	142,241
Net assets, beginning of year	<u>35,552,799</u>	<u>4,866,720</u>	<u>618,498</u>
Net assets, end of year	\$ <u><u>42,141,195</u></u>	<u><u>5,711,316</u></u>	<u><u>760,739</u></u>

Pension Trust		
Police Officers' Pension Fund	Firefighters' Pension Fund	Total
244,363	184,247	1,518,071
1,690,507	1,611,821	5,209,255
519,409	834,618	1,354,027
<u>2,454,279</u>	<u>2,630,686</u>	<u>8,081,353</u>
722,139	702,527	2,402,320
5,191,642	5,014,300	17,738,186
(150,644)	(151,112)	(517,560)
<u>5,763,137</u>	<u>5,565,715</u>	<u>19,622,946</u>
<u>8,217,416</u>	<u>8,196,401</u>	<u>27,704,299</u>
2,545,235	1,433,555	6,932,026
-	53,056	683,288
77,797	52,324	261,902
<u>2,623,032</u>	<u>1,538,935</u>	<u>7,877,216</u>
5,594,384	6,657,466	19,827,083
28,037,422	27,089,640	96,165,079
<u>33,631,806</u>	<u>33,747,106</u>	<u>115,992,162</u>

CITY OF NAPLES, FLORIDA

Statement of Changes in Assets and Liabilities—Agency Funds

Year Ended September 30, 2012

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012
Assets				
Cash	\$ 1,279	19,608,984	19,610,029	234
Total assets	<u>\$ 1,279</u>	<u>19,608,984</u>	<u>19,610,029</u>	<u>234</u>
Liabilities				
Accounts payable	\$ 1,279	19,608,984	19,610,029	234
Total liabilities	<u>\$ 1,279</u>	<u>19,608,984</u>	<u>19,610,029</u>	<u>234</u>

STATISTICAL SECTION (Unaudited)

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

Contents

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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 152

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax. 162

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 Ten 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	\$ 59,224,398	66,864,810	74,294,296	84,139,231	92,817,855
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	\$ 70,777,363	72,327,474	73,828,992	78,984,577	82,096,994
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	\$ 130,001,761	139,192,284	148,123,288	163,123,808	174,914,849

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

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

Schedule 2
City of Naples
Changes in Net Assets
Last Ten 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	<u>28,557,931</u>	<u>30,521,107</u>	<u>34,228,442</u>	<u>45,705,077</u>	<u>44,590,679</u>
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	<u>30,123,351</u>	<u>29,107,023</u>	<u>30,063,836</u>	<u>30,869,509</u>	<u>33,903,765</u>
Total primary governmental expenses	<u>\$ 58,681,282</u>	<u>59,628,130</u>	<u>64,292,278</u>	<u>76,574,586</u>	<u>78,494,444</u>
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	<u>7,924,358</u>	<u>8,199,969</u>	<u>11,563,655</u>	<u>20,892,283</u>	<u>12,157,405</u>
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	<u>30,175,369</u>	<u>32,178,114</u>	<u>32,730,128</u>	<u>36,586,505</u>	<u>37,416,569</u>
Total primary governmental revenues	<u>\$ 38,099,727</u>	<u>40,378,083</u>	<u>44,293,783</u>	<u>57,478,788</u>	<u>49,573,974</u>
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	<u>\$ (20,581,555)</u>	<u>(19,250,047)</u>	<u>(19,998,495)</u>	<u>(19,095,798)</u>	<u>(28,920,470)</u>

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

(Continued)

Schedule 2
City of Naples
Changes in Net Assets (Continued)
Last Ten 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	<u>580,525</u>	<u>1,550,111</u>	<u>1,501,518</u>	<u>5,155,585</u>	<u>3,112,417</u>
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 fiscal year 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	2012
19,415,799	19,729,516	19,418,905	17,872,322	17,390,742
4,170,227	4,476,921	4,846,484	5,208,481	5,574,086
1,949,641	2,016,132	1,440,033	1,319,318	1,354,027
1,404,690	1,393,025	1,396,616	1,386,067	1,397,806
274,487	247,021	270,748	243,716	264,110
3,740,236	3,971,657	3,498,659	3,474,511	3,361,560
3,160,311	2,863,565	2,825,967	2,847,318	2,807,044
2,043,294	1,345,826	542,317	371,937	238,259
45,489	17,461	44,415	171,799	19,273
-	88,496	-	4,718	26,776
1,964,530	1,983,370	1,986,000	1,987,500	2,013,610
<u>38,168,704</u>	<u>38,132,990</u>	<u>36,270,144</u>	<u>34,887,687</u>	<u>34,447,293</u>
831,090	566,730	258,101	186,018	153,699
-	136,219	17,936	53,633	5,438
(458,108)	-	-	-	-
<u>(1,964,530)</u>	<u>(1,983,370)</u>	<u>(1,986,000)</u>	<u>(1,987,500)</u>	<u>(2,013,610)</u>
<u>(1,591,548)</u>	<u>(1,280,421)</u>	<u>(1,709,963)</u>	<u>(1,747,849)</u>	<u>(1,854,473)</u>
<u>36,577,156</u>	<u>36,852,569</u>	<u>34,560,181</u>	<u>33,139,838</u>	<u>32,592,820</u>
2,351,184	245,465	(1,618,387)	236,184	959,157
<u>4,762,365</u>	<u>7,046,056</u>	<u>8,129,491</u>	<u>7,487,766</u>	<u>8,957,214</u>
<u>7,113,549</u>	<u>7,291,521</u>	<u>6,511,104</u>	<u>7,723,950</u>	<u>9,916,371</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 3,726,578	3,974,214	3,851,388	817,651	882,906
Unreserved	2,114,052	3,140,889	5,561,460	12,119,520	15,454,863
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	\$ 5,840,630	7,115,103	9,412,848	12,937,171	16,337,769
All other governmental funds					
Reserved					
Special revenue funds	\$ 208,218	211,284	179,187	18,625	89,364
Capital projects funds	13,327,848	17,068,197	19,890,914	4,645,715	5,999,449
Debt service funds	1,210,197	1,420,125	1,420,125	1,707,311	1,725,940
Unreserved					
Special revenue funds	1,933,014	2,794,174	3,594,431	5,226,704	5,578,047
Capital projects funds	2,958,089	3,137,595	(362,701)	12,533,664	12,088,406
Debt service funds	349,416	260,260	457,518	494,714	737,263
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	\$ 19,986,782	24,891,635	25,179,474	24,626,733	26,218,469

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

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
Taxes	\$ 20,653,811	21,642,718	23,305,625	25,601,739	32,177,018 ^(a)
Licenses, permits, fees and assessments	2,687,224	3,092,953	2,931,552	3,787,831	3,717,384 ^(a)
Intergovernmental	5,254,668	5,558,406	8,015,980	16,974,405	7,883,654
Charges for services	1,506,150	1,692,378	2,009,871	1,824,433	2,373,059
Charges to other funds	4,459,952	3,713,502	3,748,880	3,806,515	3,966,100
Fines and forfeitures	410,760	348,265	553,888	578,562	374,950
Impact fees/special assessments	379,159	272,764	368,576	710,951	424,364
Interest	678,041	626,030	971,187	1,833,114	2,603,304
Contributions	141,580	111,169	263,988	70,505	59,716
Miscellaneous	561,071	1,065,765	432,022	1,159,105	153,338
Total revenues	<u>36,732,416</u>	<u>38,123,950</u>	<u>42,601,569</u>	<u>56,347,160</u>	<u>53,732,887</u>
Expenditures					
General government	6,568,239	7,555,904	7,516,247	15,131,257	9,591,067
Public safety	13,944,299	14,990,292	17,606,607	18,988,238	21,481,323
Physical and economic environment	1,005,981	948,272	1,333,438	1,734,495	1,579,013
Transportation	2,729,772	1,911,489	1,351,547	1,421,391	2,820,205
Culture and recreation	4,715,056	4,959,763	5,289,131	5,352,049	6,313,097
Capital outlay	6,838,305	3,224,855	6,621,225	11,043,085	6,768,798
Debt service					
Principal	3,071,257	1,083,379	978,603	994,107	1,070,000
Interest and fiscal charges	1,215,697	1,118,359	995,570	933,536	907,878
Total expenditures	<u>40,088,606</u>	<u>35,792,313</u>	<u>41,692,368</u>	<u>55,598,158</u>	<u>50,531,381</u>
Excess (deficit) of revenues over (under) expenditures	<u>(3,356,190)</u>	<u>2,331,637</u>	<u>909,201</u>	<u>749,002</u>	<u>3,201,506</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	6,931,440	7,961,219	4,906,256	4,797,603	5,944,576
Transfers out	(5,273,414)	(6,269,219)	(3,229,898)	(3,068,828)	(4,181,196)
Sale of capital assets	72,636	4,007,373	25	39,102	27,448
Total other financing sources (uses)	<u>4,690,133</u>	<u>3,847,689</u>	<u>1,676,383</u>	<u>1,767,877</u>	<u>1,790,828</u>
Net change in fund balance	<u>\$ 1,333,943</u>	<u>6,179,326</u>	<u>2,585,584</u>	<u>2,516,879</u>	<u>4,992,334</u>
Debt service as a percentage of noncapital expenditures	12.9%	6.8%	5.6%	4.3%	4.5%

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				
2008	2009	2010	2011	2012
27,214,844	27,862,615	27,372,786	26,029,904	25,980,772
6,953,495 ^(b)	6,856,060	6,072,977	6,655,012	7,539,226
7,761,199	5,856,457	6,038,913	5,236,599	5,174,417
2,327,605	2,020,389	2,045,248	1,908,981	2,131,943
4,165,504	4,093,450	3,720,709	3,720,708	3,681,838
405,342	338,037	254,385	232,575	461,537
366,627 ^(b)	-	-	-	-
1,806,496	1,216,224	492,471	336,484	214,851
62,715	83,101	211,302	258,985	204,116
73,568	115,701	75,544	177,621	9,273
<u>51,137,395</u>	<u>48,442,034</u>	<u>46,284,335</u>	<u>44,556,869</u>	<u>45,397,973</u>
11,377,879	9,688,213	8,620,881	8,307,238	8,130,338
23,479,974	24,792,638	23,680,724	22,062,961	23,192,344
1,813,934	1,775,115	2,024,380	1,945,948	1,776,115
2,046,296	2,116,889	2,246,827	2,191,327	2,069,396
6,920,107	5,996,861	5,433,931	5,302,802	5,189,194
9,542,548	7,053,867	2,303,468	2,830,919	5,193,871
1,125,000	1,497,000	1,612,000	2,222,000	1,844,000
831,434	1,066,519	957,917	589,568	445,242
<u>57,137,172</u>	<u>53,987,102</u>	<u>46,880,128</u>	<u>45,452,763</u>	<u>47,840,500</u>
<u>(5,999,777)</u>	<u>(5,545,068)</u>	<u>(595,793)</u>	<u>(895,894)</u>	<u>(2,442,527)</u>
-	6,860,000	-	17,094,000	-
-	-	-	(8,285,998)	-
-	-	-	(10,186,000)	-
4,720,949	12,714,292	5,766,183	5,705,136	6,396,488
(2,756,419)	(10,818,965)	(3,780,183)	(3,762,476)	(4,382,878)
-	136,304	23,888	36,953	27,917
<u>1,964,530</u>	<u>8,891,631</u>	<u>2,009,888</u>	<u>601,615</u>	<u>2,041,527</u>
<u>(4,035,247)</u>	<u>3,346,563</u>	<u>1,414,095</u>	<u>(294,279)</u>	<u>(401,000)</u>
4.1%	5.5%	5.8%	6.6%	5.4%

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

Fiscal year	Property ^(a)	Utility and communication	Franchise fees	Fuel taxes	Sales and use
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 ^(b)	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
2012	17,390,742	5,574,086	3,361,560	1,397,806	1,875,396
Change					
2003-2012	49.0%	29.2%	28.7%	-31.6%	-26.8%

Source: City of Naples Finance Department

- Notes:**
- (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).
 - (b) 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.
 - (c) The City in fiscal year 2006 began recording the Premium Fire and Casualty Insurance Tax in the General Fund. In prior years, those amounts were deposited directly into the Police and Fire Pension Funds.

<u>Other</u>	<u>Total</u>
782,765	23,990,836
835,166	25,056,309
1,003,374	26,910,306
2,758,977 ^(c)	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
1,298,908	30,898,498
65.9%	28.8%

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

Fiscal year	Real property	Personal property	Less net new taxable value	Adjusted total taxable value (for roll back)	Final taxable value
2003	\$ 9,754,294,253	267,069,987	189,917,985	9,831,446,255	9,950,900,301
2004	10,960,725,735	286,782,236	499,568,676	10,747,939,295	11,212,894,783
2005	11,909,720,094	301,738,680	271,725,048	11,939,733,726	12,168,966,197
2006	13,412,338,003	345,957,486	192,180,825	13,566,114,664	13,746,713,411
2007	16,264,603,707	376,100,345	275,696,496	16,365,007,556	16,533,125,948
2008	17,086,194,348	386,182,053	410,638,803	17,061,737,598	17,456,888,406
2009	16,903,766,419	400,795,472	342,706,664	16,961,855,227	17,246,749,629
2010	15,962,605,246	421,136,474	311,015,976	16,072,725,744	16,287,802,409
2011	14,627,069,353	419,030,702	185,960,906	14,860,139,149	14,976,570,653
2012	14,234,876,028	353,678,358	125,853,141	14,462,701,245	14,557,352,859

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

Total direct tax rate	Market/Just value	Actual taxable value value as a percentage of market/just value
1.1997	12,966,197,227	75.824%
1.1870	14,426,299,363	74.502%
1.2098	15,427,299,073	77.394%
1.1839	17,371,133,725	78.096%
1.2815	21,802,038,544	75.062%
1.1347	22,486,719,099	75.875%
1.1663	21,642,182,442	78.374%
1.2175	19,738,257,718	81.429%
1.2195	17,719,816,637	83.862%
1.2226	17,046,390,756	84.843%

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	Caribbean Gardens
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	0.1500
2007	1.2450	0.0365	1.2815	0.0680	3.5790	0.2500	0.1500
2008	1.0997	0.0350	1.1347	0.0635	3.1469	0.2242	0.1500
2009	1.1315	0.0348	1.1663	0.0635	3.4221	0.2500	0.1500
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	-
2012	1.1800	0.0426	1.2226	0.0934	3.5645	0.2500	-

Source: Mosquito Control, Collier County, Collier County School Board, South Florida Water Management.

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

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

Overlapping Rates*

School Board	South Florida Water Management	Water pollution control	Big Cypress Basin	Combined total
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
5.9730	0.2840	0.0347	0.2425	11.7801
5.5250	0.2840	0.0320	0.2426	11.4121
5.3510	0.2549	0.0280	0.2265	10.5797
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
5.5760	0.1785	0.2930	0.1633	11.3413

Schedule 8
City of Naples
Principal Property Tax Payers,
Current Year and nine years ago
(in thousands)

Taxpayer	2012			2003		
	Property Taxes Levied	Rank	Percentage of total Taxes Levied	Property Taxes Levied	Rank	Percentage of total Taxes Levied
	Florida Power & Light	\$ 122,664	1	0.84%	30,308	2
Coastland Center, LLC	71,818	2	0.49%	90,222	1	0.91%
The Moorings, Inc.	64,289	3	0.44%			
Sandra Gerry	51,951	4	0.36%	18,298	9	0.18%
Randal D. Bellestri Trust	37,682	5	0.26%			
Westbury Properties, Inc.	36,603	6	0.25%	22,577	5	0.23%
Arthur Allen, Jr.	29,994	7	0.21%			
Judith Herb	28,949	8	0.20%			
Linda Buananno Trust	25,870	9	0.18%			
Harold Square Land Trust	25,149	10	0.17%			
Sprint-Florida Incorporated				28,480	3	0.29%
Panthers RPN Limited				23,291	4	0.23%
Heritage Realty Management, Inc.				20,792	6	0.21%
Naples Hospitality LTD Partnership				19,330	7	0.19%
Estuary at Grey Oaks, Ltd.				18,526	8	0.19%
Miler Collier				16,995	10	0.17%
	\$ <u>494,969</u>		<u>3.40%</u>	<u>288,818</u>		<u>2.90%</u>
Final Taxable Value	\$ 14,557,353			9,950,900		

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	Total collections to date	
		Amount	% of Levy		Amount	% of Levy
2003	\$ 12,118,652	11,674,715	96.3%	-	11,674,715	96.3%
2004	13,492,687	13,029,256	96.6%	-	13,029,256	96.6%
2005	14,911,539	14,404,764	96.6%	-	14,404,764	96.6%
2006	16,501,506	15,918,137	96.5%	8,584	15,926,721	96.5%
2007	21,488,943	20,765,644	96.6%	13,985	20,779,629	96.7%
2008	20,093,536	19,393,704	96.5%	13,308	19,407,012	96.6%
2009	20,402,060	19,723,805	96.7%	7,470	19,731,275	96.7%
2010	20,089,045	19,414,761	96.6%	-	19,414,761	96.6%
2011	18,522,784	17,863,586	96.4%	8,736	17,872,322	96.5%
2012	18,024,021	17,390,742	96.5%	-	17,390,742	96.5%

Sources: Collier County Tax Appraiser
Collier County Tax Collector

Note: Collections in subsequent years not available prior to 2006.

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

Fiscal year	Government Activities				Business-type Activities		
	General Obligation Bonds	Public Service Tax Bonds	Redevelopment and Refunding Bonds	Capital Improvement Note	Water Bonds/Loans	Storm-water SBA Loan	Non major Bonds
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	25,908,943	2,182,795	255,000
2012	1,690,000	-	-	14,333,000	23,755,858	2,001,606	195,000

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

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

Total primary government	Percentage of personal income ^(a)	Per capita ^(a)
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%	770
52,473,325	3.77%	662
55,716,405	4.07%	726
51,800,353	3.78%	682
46,213,738	3.16%	617
41,975,464	2.56%	510

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

Fiscal year	General Obligation Bonds Outstanding	Percentage of actual taxable value of property ^(a)	Per capita ^(b)
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
2012	1,690,000	0.01%	84.76

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

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

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

Schedule 12
City of Naples
Direct and Overlapping Governmental Activities Debt
As of September 30, 2012

	<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	\$ 1,690,000	100.00%	1,690,000
Capital Improvement Note	14,333,000	100.00%	14,333,000
Total direct debt			<u>16,023,000</u>
Overlapping debt^(a):			
Collier County ^(b) :			
Conservation Collier	4,805,000	24.38%	1,171,268
Total overlapping debt			<u>1,171,268</u>
Total direct and overlapping debt			\$ <u>17,194,268</u>

^(a) The City of Naples is not responsible for the overlapping debt.

^(b) Payable from County-wide general property taxes.

^(c) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable value that is within the City's boundaries and dividing it by each unit's total taxable value.

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

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

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

Fiscal year	Water Revenue Bonds					Coverage
	Utility service charges	Less operating expenses	Net available revenue	Debt service requirement		
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
2012	28,262,634	23,195,559	5,067,075	1,127,899		4.49

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	
4,420,958	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)
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

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

Calendar year	Population	Personal income <i>(thousands of dollars)</i>	Per capita income	Median age	County school enrollment	Unemployment rate
2003	22,343	\$ 922,073	41,269	60.7	37,718	4.7%
2004	22,443	967,181	43,095	60.7	39,821	3.9%
2005	22,490	1,128,908	50,196	62.4	41,588	3.6%
2006	22,970	1,248,117	54,337	62.4	42,775	2.7%
2007	23,101	1,327,060	71,033	62.4	42,062	5.1%
2008	22,556	1,393,690	79,315	63.0	41,666	8.2%
2009	21,651	1,369,989	76,708	62.5	42,786	10.0%
2010	22,390	1,368,953	75,910	63.8	42,098	12.4%
2011	19,537	1,462,579	74,862	63.9	42,430	10.3%
2012	19,939	1,641,299	82,316	64.2	44,346	10.0%

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

Notes: Population information is 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.

Prior to 2007 Information on per capita income and median age was not available specifically for the City. For median age, 3 year estimates were provided by the American Community Survey Office. Prior to 2007, per capita income was an estimate based on various information from Collier County and the Bureau of Economic and Business Research.

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

Employer	2012			2003		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Collier County Public Schools	5,374	1	22.2%	3,393	1	14.6%
NCH Healthcare System	3,007	2	12.4%	2,317	3	10.0%
Publix Supermarkets	2,214	3	9.1%	-		
Collier County Government	2,121	4	8.8%	2,784	2	12.0%
Collier County Sheriff	1,387	5	5.7%	1,076	4	4.6%
Marriott Corporation (Including Ritz Carlton)	743	6	3.1%	758	5	3.3%
Fifth-Third Bank	733	7	3.0%	-		
The Moorings	730	8	3.0%	-		
Waldorf Astoria (Naples Grande)	605	9	2.5%	600	6	2.6%
Barron Collier Partnership	600	10	2.5%	-		
City of Naples	-			493	7	2.1%
Naples Beach and Tennis	-			491	8	2.1%
Bentley Resort	-			475	9	2.0%
Collier County Health Department	-			186	10	0.8%
Estimated other employers	6,684		27.6%	10,605		45.8%
Estimated total	<u>24,198</u>		<u>100.0%</u>	<u>23,178</u>		<u>100.0%</u>

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				
	2003	2004	2005	2006	2007
General Fund					
Mayor and Council	1.0	1.0	1.0	1.0	1.0
City Clerk	7.0	8.0	8.0	8.0	8.0
City Attorney	1.0	1.0	1.0	1.0	1.0
City Manager	4.0	3.0	4.0	4.0	4.0
Human Resources	7.0	7.0	7.0	7.0	7.0
Planning and Code Enforcement	8.0	7.0	10.0	10.0	10.0
Engineering	10.0	(a)	(a)	(a)	(a)
Finance	20.8	21.8	20.8	21.8	21.8
Community Services	50.0	43.0	42.0	42.0	47.5
Police and Emergency Services					
Police	111.7	111.7	111.7	111.7	111.7
Fire	59.0	59.0	59.0	59.0	61.0
Natural Resources	2.5	(b)	(b)	(b)	(b)
Non-departmental	10.0	10.0	10.0	10.0	12.0
Water and Sewer Fund	94.0	96.0	99.5	99.5	96.0
Solid Waste Fund	26.0	25.0	25.0	25.0	29.0
Streets and Traffic Fund	5.0	5.0	5.5	5.5	5.5
Stormwater Fund	7.0	7.0	5.5	5.5	5.5
City Dock Fund	4.0	5.0	5.0	5.0	5.0
Tennis Fund	6.2	4.0	4.0	4.0	4.0
Beach Fund	12.6	13.1	14.1	14.1	14.3
Information Services Fund	10.0	11.0	11.0	11.0	11.0
Equipment Services Fund	11.0	11.0	11.0	11.0	11.0
Risk Management Fund	2.0	2.0	2.0	2.0	2.0
Building Permit Fund	24.5	27.5	26.0	26.0	28.0
Community Redevelopment	3.5	3.5	6.0	6.0	9.0
Construction Management	(a)	8.0	8.0	8.0	8.0
TOTAL EMPLOYEES	497.8	490.6	497.1	498.1	513.3

Source: City of Naples Finance Department

- Notes:**
- (a) Reclassified from Engineering in the General Fund to the Construction Management Fund.
 - (b) Reclassified to Community Services in the General Fund.
 - (c) Reclassified from Community Services to City Manager in the General Fund.
 - (d) Reclassified from Non-departmental to Community Services in the General Fund.
 - (e) Fund eliminated in 2009.

Fiscal Year				
2008	2009	2010	2011	2012
1.0	1.0	1.0	1.0	1.0
8.0	8.0	6.0	6.0	6.0
1.0	1.0	1.0	1.0	1.0
4.0	7.0	6.7	8.9	8.9
7.0	6.0	5.0	4.0	4.0
10.0	5.0	5.0	4.0	3.5
(a)	(a)	(a)	(a)	(a)
21.8	21.8	19.8	19.8	18.8
45.5	36.0	30.0	41.0	40.0
111.7	109.7	104.4	98.4	104.0
61.0	61.0	61.0	63.0	63.0
(b)	(c)	(c)	(c)	(c)
12.0	12.0	11.0	(d)	(d)
100.0	95.0	98.0	97.0	98.0
29.0	28.0	24.0	25.5	25.5
5.5	7.5	7.5	7.5	7.5
6.0	5.5	6.0	6.0	6.0
5.0	4.0	3.0	2.6	3.6
4.0	4.0	4.0	4.0	4.0
13.8	12.8	12.8	13.0	12.0
11.0	10.0	10.0	10.0	10.0
11.0	10.0	8.5	8.5	8.5
2.0	1.0	1.0	1.0	1.0
27.0	26.0	17.5	17.5	18.0
9.0	9.0	8.3	8.3	6.3
8.0	(e)	(e)	(e)	(e)
514.3	481.3	451.5	448.0	450.6

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

Function/Program	Fiscal Year				
	2003	2004	2005	2006	2007
General government					
Commercial permits issued	239	247	221	251	247
Residential permits issued	831	974	1,050	1,113	1,317
Police					
Physical arrests	1,273	1,138	1,234	972	875
Parking violations	17,238	16,692	16,631	15,307	14,253
Traffic violations	11,446	9,183	8,587	10,974	9,706
Fire					
Emergency responses	4,548	4,696	4,654	4,487	4,490
Fires extinguished	64	65	56	53	54
Inspections	5,979	7,120	7,154	6,337	6,510
Refuse collection					
Refuse (tons per day)	122	125	118	129	124
Recyclables (tons per day) ^(a)	N/A	8	9	10	13
Other public works					
Street resurfacing (miles)	3	3	1	2	2
Potholes repaired ^(b)	10	2	22	65	72
Parks and recreation					
Special events, participants ^(c)	1,101	1,313	1,130	571	675
Beach parking permits issued ^(d)	16,297	23,082	21,309	21,236	22,329
Camps, classes, participants	194	621	770	725	883
Water					
New connections	190	262	249	133	133
Water main breaks	23	9	16	13	21
Average daily consumption (millions of gallons)	17.1	17.5	16.9	17.8	15.3
Peak daily consumption (millions of gallons)	22.5	23.5	21.3	22.4	23.3
Wastewater					
Average daily sewage treatment (thousands of gallons)	7,080	6,800	7,240	6,830	7,135

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 caused the increase in 2012.
 - ^(d) The City no longer issues County beach parking permits.

Fiscal Year				
2008	2009	2010	2011	2012
280	268	237	182	285
1,164	1,994	828	961	1,267
965	3,164	658	465	1,111
14,439	15,105	15,985	14,351	15,107
9,843	11,087	7,601	5,641	8,168
4,437	4,810	4,423	4,812	4,839
49	70	61	97	96
6,427	5,200	8,412	6,557	7,882
114	119	101	103	153
15	14	10	12	17
15	11	9	9	5
75	59	73	98	77
712	759	980	3,501	3,550
20,410	15,921	N/A	N/A	5,560
897	943	850	876	4,510
116	109	70	93	172
22	68	16	12	16
15.3	16.0	14.7	15	14
21.2	20.4	19.2	18	19
6,673	6,720	6,330	5,852	5,688

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

Function/Program	Fiscal Year				
	2003	2004	2005	2006	2007
Police					
Number of employees	122	122	121	120	124
Demand for services	38,095	54,710	56,393	68,365	60,908
Fire Stations	3	3	3	3	3
Refuse collection trucks	25	25	25	27	27
Other public works					
Streets (miles)	106	106	106	106	106
Streetlights	2,370	2,370	2,370	2,370	2,371
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	17,311	17,520	17,697	17,718	17,723
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	30	30	30	30	30
Sewer					
Active accounts	8,602	8,614	8,638	8,651	8,647
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	10	10	10	10	10

Sources: Various City departments

Fiscal Year				
2008	2009	2010	2011	2012
115	110	104	98	104
58,658	55,580	48,192	45,764	43,237
3	3	3	3	3
25	24	25	25	25
106	108	108	108	110
2,371	2,375	2,390	2,390	3,006
47	44	44	44	42
1	1	1	1	1
3	3	3	3	3
1	1	1	1	1
1	1	1	1	1
17,717	17,781	16,495	16,545	16,684
1	1	1	1	1
30	30	30	30	30
8,645	9,052	8,814	9,253	8,951
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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 5, 2013. 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Management Letter as Finding 12-01 that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

We noted certain matters that we reported to management of the City in the Management Letter dated April 5, 2013. The City's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the City's response and, accordingly, we express no opinion on it.

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
April 5, 2013

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The 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, 2012, and have issued our report thereon dated April 5, 2013.

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 April 5, 2013, 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. No findings were reported in the prior annual financial audit report.
- 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. Matters required to be disclosed are reported under the heading Current Year Audit Findings and Recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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. This information has been disclosed in the notes to the financial statements.
- 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, 2012, 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, 2012. 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
April 5, 2013

Current Year Audit Findings and Recommendations

12-1 Audit Adjustments

The City is responsible for accurate financial reporting which includes detecting and preventing misstatements in the financial statements, as well as within the underlying financial records. As a result of our audit procedures, many audit adjustments were necessary for the fair presentation of the financial statements. From our review, it appears that prior institutional knowledge required for year-end closing was lost with changes in personnel. New staff's lack of experience with municipal year-end reporting requirements coupled with multiple time-sensitive tasks, including the software conversion, resulted in a lack of timely and proper reconciliations at year-end.

Although the City relies on the independent auditor to assist with the fair presentation of the financial statements, the auditor cannot be a part of the City's internal control system. Therefore, based on the number and amount of audit adjustments made as a result of the audit, the City has a deficiency in internal control over financial reporting.

Therefore, we recommend that the City implement procedures to ensure all reconciliations are performed and closing entries are recorded prior to commencement of the audit to facilitate the preparation of financial statements in accordance with generally accepted accounting principles.

Management's Response

This is the first year management staff were responsible for the financial statements and preparing for the financial audit. The financial closing process took longer than expected due to staff's unfamiliarity with financial systems and new responsibilities, in addition to the installation of new enterprise software. The City will develop and implement procedures to ensure effective completion of the annual year-end process to facilitate the preparation of financial statements in accordance with generally accepted accounting principles.