

City of Naples, Florida



Comprehensive Annual Financial Report
For the Year Ended September 30, 2016

THE CITY OF NAPLES, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2016
(With Independent Auditor's Report Thereon)

Prepared By:
FINANCE DEPARTMENT

City of Naples

Principal Officers

September 30, 2016



Bottom row pictured left to right: City Clerk Patricia Rambosk, Council Member Michelle McLeod, Mayor Bill Barnett, Council Member Ellen Seigel, and Council Member Sam J. Saad III.

Top row pictured left to right: City Attorney Robert Pritt, Council Member Reg Buxton, Council Member Doug Finlay, City Manager A. William Moss and Vice-Mayor Linda Penniman.

Department Directors

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

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

CITY OF NAPLES, FLORIDA
COMPREHINSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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City of Naples

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March 7, 2017

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, 2016, is hereby submitted. This Annual Report was prepared by the Finance Department, and is in compliance with Florida Statutes Chapter 218.39, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and Section 2-601 of the City Code of Ordinances.

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

The City’s basic financial statements have been audited by Maudlin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2016, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City’s financial statements for the fiscal year ended September 30, 2016, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor’s report is presented as the first component of the financial section of this report.

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

City Profile

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

With a history dating back to the late 1800's, Naples was incorporated on December 1, 1923. It is approximately 16 square miles in size and has 112 lane miles of streets and 58 miles of sidewalks. Originally developed as a winter retreat for people with permanent homes in the north, Naples grew from a small frontier-style fishing camp in the 1920s to its current status as a premier city. Naples continues to attract a retirement population that is among the most affluent and well educated in the State.

The City is located on the Gulf of Mexico in Southwest Florida, and it is the cultural and activity center of Collier County. The City has a permanent population of approximately 20,500, increasing to over 33,000 during the peak winter season. In addition to its natural features, the City is known for its world-class shopping and exceptional dining opportunities.

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

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

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

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

Member	Term Ends
Bill Barnett, Mayor	February 2020
Linda Penniman	February 2018
Reg Buxton	February 2020
Doug Finlay	February 2018
Michelle McLeod	February 2020
Sam Saad III	February 2018
Ellen Seigel	February 2020

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

The Reporting Entity and its Services

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

Included in the City's activities is Moorings Bay Special Taxing District and East Naples Bay Special Taxing District. The two Special Taxing Districts were created and established by Ordinances #87-5328 and #87-5330, respectively, for providing maintenance dredging in the channels and waterways within the area or boundary of the respective District, and to maintain necessary aids to navigation. Funds for the taxing districts are provided through an ad valorem tax that is levied only within these specified districts.

The Community Redevelopment Agency is a blended component unit of this reporting entity, because this District is governed by Naples City Council and a financial benefit / burden relationship does exist between the two entities. Ordinance #94-7099 created the Community Redevelopment Agency for the rehabilitation, conservation or redevelopment of the designated district. The tax increment from Collier County and the City provides the source of revenue for the Community Redevelopment Agency.

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

Accounting System and Budgetary Control

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

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

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

The City's fiscal year begins October 1. In February, staff develops preliminary future revenue and expenditure estimates and identifies areas of need and concern. During February, the Five Year General Fund Sustainability Report is developed for a March presentation. Concurrently, staff begins working with boards, committees, and the City Council to gather goals for the upcoming fiscal year. In March, Departments start preparing their Five-Year Capital Improvement Program requests. During April, departments will begin preparing their budget requests using line-item budget formats. At the same time, Finance will begin assessing available and potential revenue sources.

The Five-Year Capital Improvement Program is presented to City Council by June 1, in accordance with the City Code of Ordinances. The proposed budget is presented to Council in July then discussed during August and September, and the budget is adopted in September.

The adopted budget may be amended in two ways.

1. The budget ordinance authorizes the City Manager to transfer money within a fund, except that he cannot increase regular staffing levels or modify the intent of the Capital Improvement Budget.
2. Changes that would increase the total budget of a fund, increase staffing levels, or modify the intent of the Capital Improvement Budget must have City Council approval by resolution for Fiscal Year 2015-16.

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

The City utilizes the State of Florida's uniform chart of accounts for account names, numbers, and reporting purposes. During the course of the year, budgetary control was maintained over appropriations by use of on demand and quarterly revenue and expenditure reports that compare budgeted appropriations with actual expenditures and encumbrances and estimated revenues with actual revenues. In the integrated automated financial system, a purchase order is required prior to committing funds, although minor purchases may be made with a purchasing card. Purchasing cards have individually set limits, typically between \$1,000 and \$5,000. The City's automated enterprise software system verifies the availability of funds prior to issuance of a purchase order. Although the budget is adopted by Fund, practical budget control is maintained at the department level in the General Fund and the fund level in all other funds.

Factors Affecting Financial Condition

Local Economy

Fiscal year 2015-16 represented the fourth year of taxable value growth in the City. The taxable values increased by 8.2% for the FY 15-16 fiscal year, following a 6.9% growth in Fiscal Year 14-15. The subsequent growth for FY 16-17 (September 2016) of 10.4% confirms the return of stability after the nation's recession. With more than half of the City's General Fund revenue coming from the taxable values, values and growth rates must be monitored for potential unsustainable growth patterns, similar, to that which occurred in the early 2000s.

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

The City is limited by the Constitution of the State of Florida to an ad valorem tax levy of ten mills on each dollar of assessed valuation for operating expenditures. At 1.1800 mills in 2016, Naples' ad valorem tax remains significantly below the maximum allowed and has remained unchanged for several years.

The City continues to be a destination point for Collier County residents and visitors, in part due to its 42 public beach access points, attractive active and passive parks, the Naples Pier, and the multitude of vibrant mixed-use retail/dining areas.

During Fiscal Year 2015-16, the City continued its journey to enhance the quality of life for its residents while providing the best essential services possible. Some of the events and projects include:

- Baker Park Development saw architectural/engineering plans continue, with expenses reaching approximately \$0.8 million, in 2016. This brings the total expensed on design to \$1.4 million of the estimated total project cost of \$18.5 million. The total project cost includes \$13.4 million in park development and an additional \$5.1 million in the Gordon River Bridge Component of the project. The City has received over \$3.0 million in donations since the project began in 2014. The City remains optimistic that additional donations will be forthcoming to offset a portion of the City Funds presently allocated for the completion of the park. In 2014, the City acquired 6.7 acres of land adjacent to 8 acres of city property, to create a park. The design of Baker Park began, with the conceptual master plan approved on March 5, 2014.
- City Dock saw architectural/engineering plans continue, with expenses reaching approximately \$0.6 million, in 2016. The design of the City Dock has led to the selection of a floating dock for enhanced efficiency, accommodations, and convenience all. With the specific intent to maximize its usage and the satisfaction of its tenants and customers. The City Dock will begin construction in May 2017 and complete construction by December 2017. The estimated cost of Construction is \$6.3 million.
- Tree fill in and restore and landscape median restoration expensed \$0.4 and \$0.3 million respectively in 2016. These initiatives demonstrate that maintaining esthetically pleasing trees and roadways, is an ongoing priority for the City and its residents.
- The Central Ave improvement project began in 2016 reaching approximately 72% completion having expensed \$3.3 million of the \$4.6 million construction cost. This project consists of removal and replacement of existing roadway, adding two roundabouts, median improvement and adding esthetically pleasing trees and landscaping to connect the Gordon River Greenway Trail System to Naples Beaches.
- Fire Station #1 in the heart of downtown. The City expensed \$117,700 of the \$400,000 budget for the design of a state of the art fire station that will increase the square footage from 7,500 sq. ft. to just under 20,000 sq. ft. The station is being built to withstand potential flood waters and a Category 5 hurricane which is an essential part of the City's infrastructure and will double as the Emergency Operations Center. The total cost of the project is estimated to be \$6.3 million for design and construction. Construction is expected to begin in 2018.
- Fire Station #2 – The City expensed \$250,000 in 2016, budgeted \$250,000 in 2017, and has included an additional \$650,000 in capital improvements in its 2017-2021 Capital Improvement Plan. The primary aspect of initial improvements will focus on the complete rewiring of the building and the complete replacement of the HVAC system. Additionally, the renovation will address upgrades to the kitchen, bunkroom, bathrooms, and bays. All renovation will be in an effort to make the structure NFPA and OSHA compliant.
- Water and Sewer infrastructure, equipment, and facilities improvements of \$9.9 million in 2016 including; \$2.4 million in reclaimed water construction, \$1.6 million on a well pump replacement project, \$1.2 million Royal Harbor water system improvement, \$0.50 million Gulfshore Blvd South sewer main replacement, and \$4.2 million in pump replacement, lift station enhancement, various water main extensions, and equipment and motor vehicle replacement programs.

The trends in the Southwest Florida economy continues to experience a moderate but steady growth with some signs slowing in certain economic indicators as 2016 came to a close. According to a report by the Florida Gulf Coast University in year over year comparisons, taxable sales for the region were up 3% in October 2016 (the latest month available), tourist tax revenues in Collier County decreased by 2% in November 2016, (the latest month available), and the three Southwest Florida airports grew 3% in November 2016 (the latest month available). The unemployment rate from December 2016 is unchanged in Collier County from the 5.1 in 2015. In addition, Collier County recorded 166 single family building permits in December 2016, down from the 257 recorded in December 2015. While Collier's single-family homes sales were virtually unchanged in December 2016, 342 compared to 340 in 2015, the median price showed a slight decline from \$412,000 to \$407,000 over the same period.

Long-term Financial Planning

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

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

Annually, shortly after each fiscal year end, the Finance Department prepares a General Fund Five-Year Sustainability Report. This report, which combines historical data with projections, identifies the potential fiscal shortfalls and opportunities in the next five years. This report helps guide City policy relating to tax rates and budgets and aids the City in sound long-term planning.

Relevant Financial Policies

In September 2009, the City Council passed Resolution #09-12512, which amended and updated the City's financial policies. These policies covered five major areas: Budgetary and Financial Planning; Financial Reporting; Capital Improvement; Debt Management; Investments and Fund Balance. The financial policies were subsequently amended in 2012, retroactively to September 30, 2011, to have the Fund Balance Policy reflect the requirements of GASB 54, with resolutions 12-13051 and 12-13052.

In 2014, the Investment Policy of the City was updated, via ordinance 14-13453 to allow a less restrictive stance on the portfolio composition of Corporate Notes and Commercial Paper.

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

Major Initiatives

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

Vision Goal: Preserve the City's Distinctive Character and Culture

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

Residents and visitors alike recognize the ambiance created by the tree-lined streets of Naples. For the nineteenth consecutive year, the City of Naples received the Tree City U.S.A. designation and, for the eighth consecutive year, the City received a Tree City U.S.A. Growth Award. The City of Naples urban forest consists of 20,537 managed hardwood trees and palms on streets, rights-of-way, parks and other public property within the City. Staff continued the annual Tree Fill-In Program with particular emphasis on Gulf Shore Blvd. North in 2016, completing the installation of an additional 109. The Trees Fill-In Program continues to 1) Protect and enrich the environment; 2) Maintain and improve neighborhood character; 3) Enhance the appearance of streets within the City; 4) Improve the appearance and urban design of commercial corridors while protecting the residential character and charm of the City.

The City continued the process of developing a Parks Master Plan in 2016, engaging a firm to facilitate community involvement and input in establishing recommendations in the plan presented to City Council. A draft master plan is being presented and communicated to officials, community leaders, and citizens alike in further attempts to obtain feedback on proposals before finalizing the plan. The project calls for continued community meetings to gain further feedback on the recommendations through March of 2017 before final conclusions are presented in 2017.

Vision Goal: Make Naples the green jewel of Southwest Florida

In a community-vision process, the goal of making Naples the green jewel of Southwest Florida was a critical element determined by the community and adopted by City Council. This goal included three objectives: restore Naples Bay, promote sustainability, and establish more green space.

Throughout the year, staff made numerous presentations to service organizations, homeowner associations, and other groups regarding the environment. Staff provided information in the form of brochures to the public on subjects that include wetlands, sea turtles, mangroves, and rain gardens.

The City benefited from Collier County's 2016 bid proposal to expend \$3.9 million on a Beach Re-nourishment Project in Collier County of which approximately \$0.9 million will benefit beaches within the City. The project began shortly after the close of 2016 and finished in early December 2016 shortly before the influx of seasonal arrivals and peak tourism. This investment comes on the heels of Collier's expenditure of \$2.7 million on the Naples Beach Re-nourishment Project in 2015.

Vision Goal: Maintain an extraordinary quality of life for residents

The Community Services Department - Recreation Division provides a wide variety of recreational opportunities for residents of all ages, integrating social and cultural pursuits.

Norris Center/Cambier Park

The Norris Center throughout the year offers a mix of programs for adults and children. For adults, in season, the following programs are offered: art, Italian, computer training, and a sit and stretch program. In the summer months, the building is full of children's specialty camps that focus on cultural arts, technology, and science. The center also provides cultural arts offerings including on stage musical, comedic and dance performances. The Norris Center also serves as the home of the Gulfshore Playhouse. During the 2015-2016 season, the theatre performances attracted 21,968 patrons, an increase of approximately 10% from the previous year. Attendance is limited to 200 patrons per performance and evening performances are generally sold out. In addition to their performance schedule, Gulfshore Playhouse also conducted twelve summer theatre camps attracting 179 participants between the ages of 4 and 14 years old. Cambier Park Outdoor Concerts continue to be popular. FREE concerts are presented on Sunday afternoons and Monday evenings throughout the winter season.

Arthur L. Allen Tennis Center in Cambier Park

During FY16, the tennis center once again offered fourteen USTA sanctioned and non-sanctioned tournaments that drew 1,339 participating athletes. Ten events were designed for juniors that attend from around the state and country. The other four tournaments were structured for adult participation. This year's 47th Annual "Clay in May" Tennis Championship hosted 503 players playing in a total of 855 events. There are 25 different clinics for members and guests to participate targeted for all skill levels. These programs serve to develop new memberships for the center and provide opportunities for members and guests to meet other players.

Fleischmann Park

Fleischmann Park provides multiple recreational opportunities and supports several athletic leagues for City and County residents. The athletic areas of Fleischmann Park are filled with activities every evening with programs changing seasonally. Youth activities and leagues include youth flag football, Naples Gators football (2 separate seasons), futsal soccer (year-long), little league baseball (2 separate seasons), martial arts and boy's and girl's lacrosse. Adult sports include co-ed softball (2 separate seasons), pickleball, frisbee football, volleyball leagues, martial arts, and several boot camps that use the park for fitness programs. The Edge Johnny Nocera Skate Park is also located at Fleischmann Park. The skate park is very popular with both skateboarding and BMX enthusiasts with an estimated 10,000 visitors annually. Fleischmann Park is the headquarters for over 150 summer specialty camps with over 1,000 registered campers. From Fleischmann campers are transported to other city location including Lowdermilk Park, The Naples Preserve, Arthur Allen Tennis Center and the Norris Center. Fleischmann Park hosts gymnastic camps, rock climbing, Dance, Cartooning, Tree House Kids and a variety of outdoor sports camps.

River Park

River Park staff and contracted instructors successfully offered 138 classes/club/rentals, 3 camps, 5 specialty camps which included exercise classes, art classes, culinary classes, dance classes, camps - Winter/Spring/Summer and school day out. River Park Community Center continues to collaborate with organizations, schools and apartment managers to identify children needing services. The River Park Community Center was awarded two books from the Tree Fund during October. One Little Library was installed one at the River Park Playground. Facility improvements for River Park Community Center this year include, a beautiful new blue with beige interlaid floral pattern carpet in the auditorium, all interior rooms freshly painted, and a portable wheelchair ramp for our special need children to have access to stage. The Back to School program served 208 children going into K through 12th grade with needed school supplies. Santa's also made an appearance at Santa's Coming to Town and made a delivery of 159 gifts to very excited children.

River Park Aquatic Center

The River Park Aquatic Center offered 81 programs/rentals/camps. Included were lifeguard training, lifeguard and water safety instructor training, learn to swim classes, swim central classes, swim & snorkel camps, and recreational swim team programs. River Park Aquatic Center continued its close collaboration with Safe and Healthy Children's Coalition with active participation in the coalition's swim central program providing preschool and special needs children with 5 important water safety skills to decrease the likelihood of the children drowning. In 2016, the Safe and Healthy Children's Coalition celebrated its 3,000 Swim Lesson hosted by River Park Aquatic Center. The River Park Aquatic Center was the home pool for Naples High School for the fifth consecutive season.

Anthony Park

An Unveiling Plaque Ceremony for PFC Charlie C. Anthony was held on March 11, 2016. Anthony Park hosted Archery and Fishing camps in summer 2016 with 67 enrolled and is home to One Little Library.

Naples Preserve

Nature talks and Eco Tours were offered regularly with the Preserve's conservation partners speaking on a variety of interesting topics. The Gopher Tortoise habitat now supports over 200 tortoises and is continually monitored by staff and volunteers. The Naples Preserve received several improvements this year including: Exotics removal project to reduce weedy vines, remove exotic vegetation, and thin tree canopy; a "Pollinator Garden" (former butterfly garden) with a new promise globe and a more; a user-friendly pathway with benches and additional seating and the outdoor classroom was expanded to include picnic benches and access from US 41 sidewalk.

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 2015-16 received the GFOA's Distinguished Budget Presentation Award. The City has achieved this award for 11 years. In order to qualify for the Distinguished Budget Presentation Award, the budget had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Naples, Florida, for the Annual Financial Report for the fiscal year ended September 30, 2015.

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

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

Acknowledgements

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

Respectfully submitted,



A. William Moss
City Manager



Ann Marie S. Ricardi
Finance Director



Government Finance Officers Association

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

Presented to

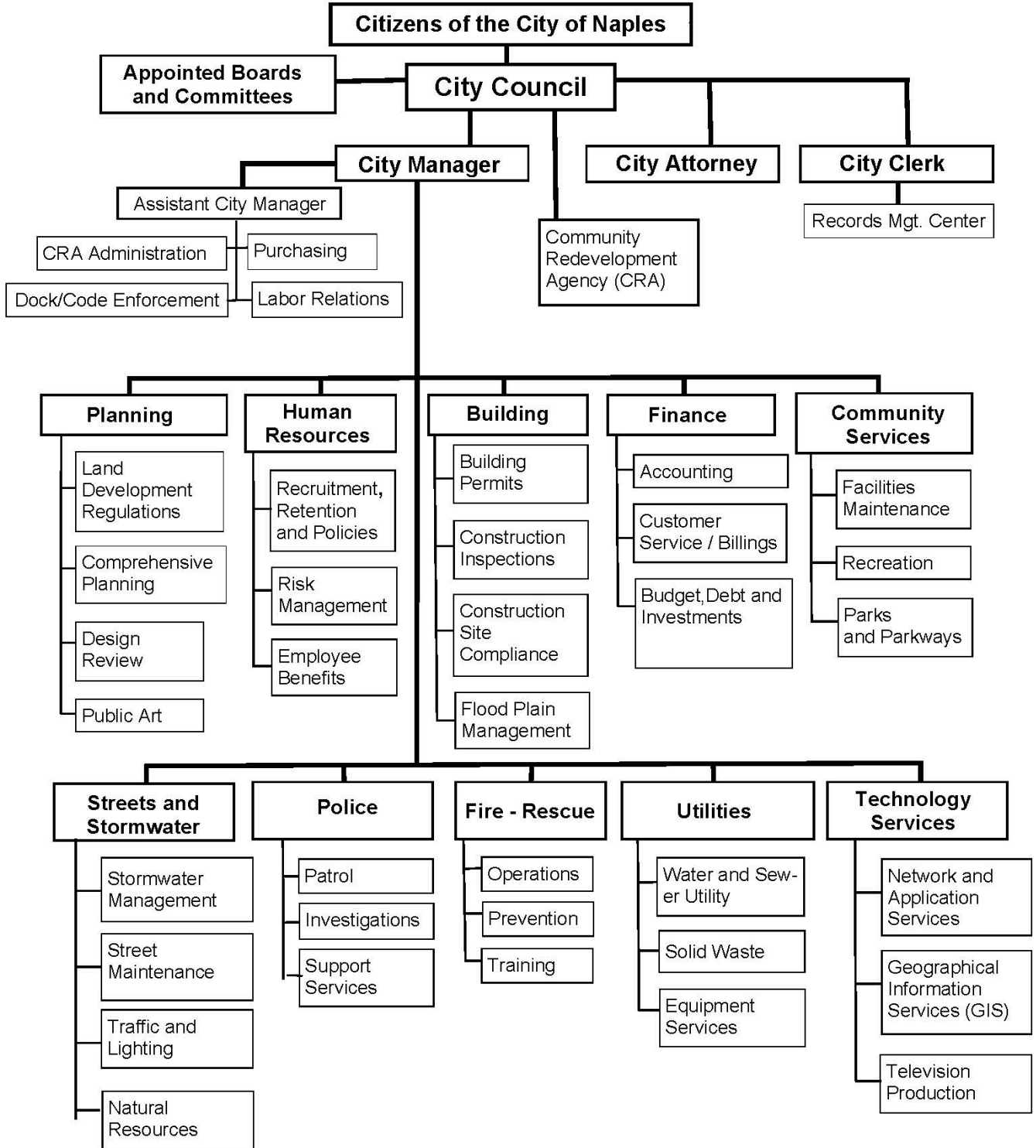
**City of Naples
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Naples Organizational Chart





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Naples, Florida (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and other post-employment benefit schedules on pages 3-13 and 89-101, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.


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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bradenton, Florida
March 7, 2017



The City of Naples, Florida
Management's Discussion and Analysis
September 30, 2016
(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, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2016, by \$224.2 million (net position). Of this amount, \$36.3 million of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$7.1 million.
- As of September 30, 2016, the City's governmental activities reported combined ending net position of \$74.8 million. This is a decrease of \$1.4 million from the prior year. The City's governmental activities unrestricted net position is negative \$3.0 million.
- The City continued to feel the effect of GASB 68 (*Accounting and Financial Report for Pension an amendment of GASB Statement No. 27*) in 2016. The deferred outflows in governmental activities increased \$4.5 million and deferred inflows increased \$726 thousand. Deferred outflows in business-type activities increased \$476 thousand while deferred inflows remained at zero. As a result, including the restated 2014 Net Position in 2015, the City has now experienced three years of negative impact from the pension liability. The City must continue to evaluate its pension obligations and its effect on the long-term financial position of the City.
- The City's total debt decreased by \$4.37 million during the current fiscal year due to scheduled debt service payments. The City did not issue new debt in 2016.

Overview of the Financial Statements

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

Major Fund Presentation

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

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

- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total of all funds of that category; and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the total for all governmental and enterprise funds combined.

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

The Government-wide Financial Statements

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

The Statement of Net Position (page 15) presents information on all the City's assets and liabilities, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or not.

The Statement of Activities (page 17) is focused on the gross and net cost of various functions supported by the City's taxes and other revenues and shows how the City's net position changed during the fiscal year. This statement is intended to summarize and simplify the costs of various governmental services. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Therefore, some revenues and expenditures, such as uncollected taxes and earned but unused vacation leave, may be reported but will result in cash flows in future fiscal periods.

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

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

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

Fund Financial Statements

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

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

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

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

The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. The reconciliations on page 22 and 26 convert this data to an economic resources measurement focus and the accrual basis of accounting for use in the government-wide financial statements.

The total column on the Proprietary Fund financial statements is reconciled to the business-type activities column in the government-wide statements on pages 27–33.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 38.

Required Supplementary Information

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

Government-wide Financial Analysis

The City’s combined net position as of September 30, 2016, was \$224.2 million. Table 1 reflects the summary Statement of Net Position (in thousands) for the current and prior year.

Table 1
Statement of Net Position
(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 64,010	64,086	50,171	49,904	114,181	113,990
Capital assets	64,677	65,548	125,829	118,784	190,506	184,332
Total assets	128,687	129,634	176,000	168,688	304,687	298,322
Total deferred outflow of resources	9,808	5,377	1,173	705	10,981	6,082
Long term liabilities outstanding	58,314	52,794	21,781	23,414	80,095	76,208
Other liabilities	4,640	5,975	5,940	5,097	10,580	11,072
Total liabilities	62,954	58,769	27,721	28,511	90,675	87,280
Total deferred inflows of resources	780	53	-	3	780	56
Net position:						
Net investment in capital assets	56,389	55,795	110,152	100,262	166,541	156,057
Restricted	21,362	22,636	-	-	21,362	22,636
Unrestricted	(2,990)	(2,242)	39,300	40,617	36,310	38,375
Total net position	\$ 74,761	76,189	149,452	140,879	224,213	217,068

The largest portion of the City’s net position (74%) reflects its investment in capital assets (land, buildings, plants, and equipment) less outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. It is also important to recognize that other resources will be required to repay the outstanding debt on capital assets. Restricted net position (representing 10% of the total net position) is subject to external restrictions on how it may be used. The remaining 16% of unrestricted net position, \$36.3 million, may be used to meet the City’s ongoing obligations to the citizens and creditors.

The City’s combined revenues, including contributions, grants, charges for services and taxes were \$99.1 million. Total expenses, City-wide were \$92.3 million. For the total primary government, including both governmental and business-type activities, net position increased \$7.1 million. Net position for Governmental activities decreased by \$1.4 million and net position for Business-type activities increased by \$8.5 million in 2016.

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

Table 2
Changes in Net Position
(In thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program revenues						
Charges for services	\$ 9,790	11,707	45,289	43,225	55,079	54,932
Operating grants and contributions	3,493	3,417	1,212	2,068	4,705	5,485
Capital grants and contributions	501	936	1,999	3,664	2,500	4,600
General revenues						
Property taxes	21,163	19,523	-	-	21,163	19,523
Other taxes	8,159	8,047	-	-	8,159	8,047
Franchise fees	3,451	3,553	-	-	3,451	3,553
Intergovernmental revenues	3,440	3,333	-	-	3,440	3,333
Unrestricted investment earnings	524	543	433	420	957	963
Other	35	160	-	-	35	160
Total revenues	50,556	51,219	48,933	49,377	99,489	100,596
Expenses						
General government	9,555	7,518	-	-	9,555	7,518
Public safety	29,016	21,801	-	-	29,016	21,801
Physical and economic environment	2,806	3,784	-	-	2,806	3,784
Transportation	4,042	2,924	-	-	4,042	2,924
Cultural and recreation	8,397	6,994	-	-	8,397	6,994
Interest and fiscal charges	188	229	-	-	188	229
Water and sewer	-	-	24,213	23,722	24,213	23,722
Solid waste	-	-	6,481	6,095	6,481	6,095
Stormwater	-	-	3,505	3,175	3,505	3,175
Other	-	-	4,141	3,558	4,141	3,558
Total expenses	54,004	43,250	38,340	36,550	92,344	79,800
Change in net position before transfers	(3,448)	7,969	10,593	12,827	7,145	20,796
Transfers	2,020	4,138	(2,020)	(4,138)	-	-
Change in net position	(1,428)	12,107	8,573	8,689	7,145	20,796
Net position, beginning	76,189	64,082	140,879	132,190	217,068	196,272
Net position, ending	\$ 74,761	76,189	149,452	140,879	224,213	217,068

The total primary government revenues reported a \$1.1 million or 1.1% decrease over last year's total revenues.

The total business-type activities' revenue decreased \$444 thousand. Revenue from governmental activities show a \$662 thousand decrease. The primary reasons for the decrease in governmental activity revenue are as follows:

- A decrease in charges for service of \$1.9 million
 - A decrease in capital grants of \$435 thousand
- Offset by
- An increase in property tax revenue \$1.6 million due to taxable value growth.
 - With minimal offsetting changes in operating grant, other taxes, franchise fees, intergovernmental revenue, and interest.

Business-type activities showed a decrease in revenues in the amount of \$444 million or 0.8% below the revenues of 2015. The charges for services increased by \$2.1 million in 2016; however, this increase was offset by a decrease of \$856 thousand and \$1.7 million in operating and capital grants respectively. Revenue in the three non-major enterprise funds (which are recreational based funds), increased \$411 thousand due to increased usage. The balance of the increase can be attributed to the three utilities, Water/Sewer, Solid Waste and Stormwater.

The total primary government’s expenses increased \$12.5 million or 15.7%. Governmental activities reported a 24.9% increase in expenses, with business-type activities reporting a 4.9% increase.

Governmental Activities

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

The cost of all governmental activities this year was \$54.0 million. As shown in the Statement of Activities on page 17, the net cost that was ultimately paid through taxes was \$40.2 million. The \$13.8 million of costs for governmental activities not covered by general revenues was provided by:

- \$9.8 million in charges for services, made of \$3.9 million in building/permit fees, \$.9 million in police and fire services, \$.9 million for recreation fees, and the balance from various fees related to transportation, economic environment and general government services.
- \$3.5 million in operating grants and contributions including \$1.9 million from Collier County’s share of the Community Redevelopment tax increment financing.
- \$0.50 million in capital grants and contributions.

The total cost of all governmental activities this year increased 24.9%, due primarily to increases in costs related to public safety, transportation, culture and recreation, and general government (all other) offset by a decrease in physical and economic environment.

Table 3
Governmental Activities
(In thousands)

	Total Cost of Service		Total Cost of Service	
	2016	2015	2016	2015
Public safety	\$ 29,016	21,801	23,445	15,946
Physical and economic environment	2,806	3,784	(509)	502
Transportation	4,042	2,924	3,785	2,697
Cultural and recreation	8,397	6,994	7,231	3,656
All others	9,743	7,748	6,268	4,389
Totals	<u>\$ 54,004</u>	<u>43,251</u>	<u>40,220</u>	<u>27,190</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) totaled \$48.9 million.

The Water and Sewer Fund represents 63.1% of the business-type activities' expenses. Total water and sewer operating revenues were \$1.1 million higher than last year, while operating expenses were \$.5 million less than last year.

City Code allows for Water Sewer Fees, Stormwater Fees, and Solid Waste Fees to be adjusted automatically, based on the Consumers Price Index, respectively. The rate study in 2014 increased Water and Sewer fees for 15-16 approximately 2.5% resulting from changes to various components of the rate structure. The Stormwater and Solid Waste fees were not increased for 15-16.

Financial Analysis of the City's Funds

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

Governmental Funds

The fund financial statements for the governmental funds start on page 19. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

In particular, unassigned fund balance may serve as a useful measurement of a government's net resources for spending at the end of the fiscal year. As of September 30, 2016, the City's governmental funds reported combined ending fund balances of \$49.6 million, an increase of \$682 thousand in comparison with the prior year. Approximately 33% of this total (or \$16.4 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) restricted for capital projects (\$5.6 million); (2) restricted for building and zoning (\$5.2 million); (3) restricted for transportation (\$2.5 million); (4) restricted for economic development (\$3.4 million); (5) committed for City-wide emergencies (\$3.5 million); (6) assigned to meet debt service requirements (\$1.1 million); and (7) for a variety of other restricted (\$11.9 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 \$16.4 million, while the total fund balance was \$19.9 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 45% of the total fiscal year 2016 General Fund expenditures, while total fund balance represents 55% of that same amount.

General Fund expenditures were \$1.07 million under the amended budget. Most variances in general government areas were minor and due to short periods of vacancies or minor cost under-runs in operating expenses.

The fund balance in the General Fund increased by \$1.39 million during the fiscal year. There were no extraordinary items contributing to this, simply revenues higher than budgeted and expenditures lower than budgeted.

The Debt Service Fund reports a total fund balance of \$1.10 million which is totally assigned for the payment of debt service. The decrease in fund balance during the current year in the Debt Service Fund was \$326 thousand, due to continued transfers to fund capital projects. Taxes received in this fund first pay for the general government debt, and the balance may be used to provide funds for general government capital projects. This year the amount transferred to fund capital projects was \$3.00 million.

The Capital Projects Fund reports a total fund balance of \$5.6 million, \$4.1 million is assigned for future capital projects, and \$1.5 is committed to existing project contractual commitments, and \$14 thousand is non-spendable as advances or loans. Fund balance increased by \$994 thousand.

The fund balance in the Community Redevelopment Fund increased \$946 thousand in 2016 with an ending fund balance of \$3.4 million. As a fund with major capital goals, the fund balance will be directed toward future capital projects identified in the Redevelopment Plan.

The fund balance in the Streets and Traffic Fund decreased \$695 thousand in 2016 with an ending fund balance of \$2.55 million. The key factor was the appropriation of some prior year reserves for ongoing annual overlay program and capital purchase.

The combined fund balances for all governmental (major and non-major) funds increased by \$682 thousand for fiscal year 2016 or 1.4%.

Proprietary Funds

Like the fund financial statements of governmental funds, the fund financial statements for the City's Proprietary Funds provide the same type of information in the government-wide financial statements, but in more detail. The fund statements of the Proprietary Funds start on page 27.

Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$25.9 million in the Water and Sewer Fund, \$428 thousand in the Solid Waste Fund, \$7.9 million in the Stormwater Fund, \$3.2 million in the Naples Beach Fund, \$765 thousand in the City Dock Fund and \$255 thousand in the Tennis Fund.

General Fund Budgetary Highlights

The adopted budget for Fiscal Year 2015-16 was \$37,149,937 in expenditures and other financing uses and \$37,607,520 in revenues and other financing sources, with the difference of \$457,583 being a planned increase in fund balance. The amended budget for FY 2015-16 is \$38,042,538 in expenditures, and \$37,528,520 in revenues with a variance of \$514,018 resulting in a planned reduction of fund balance.

The decrease between the General Fund's original budgeted revenue and the final budgeted revenue is \$79,000. This is a decrease of \$79,000 for the Fire Contract Services which was over budgeted.

The increase between the General Fund's original budgeted expenditures and the amended budgeted expenditures is \$562,651. This includes (a) \$387,000 for Fire Department overtime related to the new Interlocal Agreement to provide aircraft rescue and firefighting services to the Naples Airport and (b) \$97,181 was for prior year encumbrances.

The General Fund contingency was budgeted at \$410,000. Of that, \$408,420 was appropriated during the year by City Council. The purposes included: 1) Transfer to capital improvement for: a.) Central Ave Improvement Project increase \$235,000 b.) Purchase Police Records Management System \$94,950; 2) Increase personnel in Community Services Division due to reorganization and establishing Facilities Superintendent Position \$43,470 3) Moorings Bay signage related to boating restrictions and vessel speed regulations \$35,000.

Capital Assets and Debt Administration

Capital Assets

The City as of year-end had \$190.5 million invested in a variety of capital assets, as reflected in the following table, which represents a net increase (additions less retirements and depreciation) of \$6.17 million or 3.35% over last year.

Table 4
Capital Assets at Year End
(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 16,418	16,418	3,142	3,142	19,560	19,560
Buildings	38,936	38,368	62,427	61,926	101,363	100,294
Improvements other than buildings	38,544	37,845	63,648	57,841	102,192	95,686
Infrastructure	31,877	31,736	111,991	108,793	143,868	140,529
Machinery and equipment	23,274	22,185	24,346	21,649	47,620	43,834
Construction in progress	1,774	434	8,862	5,470	10,636	5,904
Less accumulated depreciation	(86,146)	(81,438)	(148,587)	(140,037)	(234,733)	(221,475)
Totals	\$ 64,677	65,548	125,829	118,784	190,506	184,332

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

- Lake Manor Restoration – Storm Water \$0.9 million
- Royal Harbor Water System Improvements \$1.2 million
- City-Wide Pump Station Improvements \$1.5 million
- Gulfshore Blvd South – Sewer Main \$0.5 million
- Mack Vacuum Truck Purchase \$0.6 million
- 2 Front End Loaders - Solid Waste \$0.5 million

Additional information regarding the City's capital assets is included in the Note 5 (D) to the financial statements.

Debt Outstanding

As of year-end, the City had \$24.31 million in debt (bonds, notes, etc.) outstanding compared to \$28.68 million in 2015, a 4.37 million decrease. This decrease is the net effect of regular amortization in accordance with the payment schedules of \$4.37 million.

Table 5
Outstanding Debt at Year-end

	<u>2016</u>	<u>2015</u>
Governmental		
Capital improvement refunding revenue note	\$ 8,552,000	10,068,000
Subtotal	<u>8,552,000</u>	<u>10,068,000</u>
Business-type		
Public utilities refunding revenue bonds	15,762,283	18,595,237
Capital improvement refunding revenue note	-	20,000
Subtotal	<u>15,762,283</u>	<u>18,615,237</u>
Total	<u>\$ 24,314,283</u>	<u>28,683,237</u>

Additional information regarding the City's outstanding debt is included in the Note 5 (G) to the financial statements.

Economic Factors and Next Year Budget and Rates

In September 2016, the City Council approved a \$142.0 million budget for fiscal year 2016-17, approximately \$16.8 million more than the fiscal year 2015-16 budget. The budget includes \$105.7 million for operations and transfers and \$36.3 million for capital improvements.

The adopted fiscal year 2016-17 budget continues the City's fiscally conservative approach to budget development, while providing quality services to the citizens.

The budget for fiscal year 2016-17 was developed with an emphasis on:

- The City's 10-year vision plan
- Reasonable revenue projections
- Maintenance of levels of service desired by the community
- Maintenance of fiscally responsible reserves while utilizing excess reserves to provide capital investment into quality of life improvement initiatives and essential service infrastructure.

The City's 2016-17 General Fund budget was balanced using a millage rate of 1.1500. The 2016 millage rate represents a decrease in the rate of 0.0300 from the 1.1800 used in and had remained the same since 2009-2010. The City's millage rate of 1.1500 was greater than the roll back rate of 1.1013 mills. The East Naples Bay Taxing District millage rate remained at .5000 and the Moorings Bay Taxing District decreased to .0125.

The following economic and operating factors were considered in developing the budget for fiscal year 2016-17.

- The City showed the fifth consecutive year of increase in taxable value (after four consecutive years of decline) as values increased 10.4% over fiscal year 2015-16 to \$20.223 billion.
- The City expects minimal fluctuations for most other revenue sources, including an incremental increase in investment earnings.
- The City has five union contracts for its employees. A 3% raise was approved for employees depending upon the collective bargaining agreement.

- The budget has a net increase of 3.0 positions over fiscal year 2015-16.
- There are no debt issues planned in fiscal year 2016-17; however, the City may utilize internal loan to fund the remaining \$6.3 million for the City Dock Replacement Project.

Capital includes \$5.0 million for the City Dock, \$2.8 million for the development of the new Baker Park, \$12.9 million of water/sewer projects, \$2.9 million in stormwater projects, and \$1.2 million on annual pavement resurfacing program and an additional \$1.3 million on various other roadway and traffic improvement, \$150,000 on a Pedestrian & Bicycle Master Plan Project, \$300,000 Tree Fill In and Replacement Program, \$125,000 Median Restoration, \$115,000 Fleischmann Park, and \$205,000 for Naples Landing wood dock replacement. Police department projects include \$450,000 for License Plate Recognition Solution and a \$199,950 Armored Rescue Vehicle, \$122,100 for two marked and one unmarked vehicles, and \$80,000 for portable radio replacement. Other capital improvements include \$250,000 in renovations to Fire Station No.2, \$628,000 in design for Fire Station No.1, \$210,000 to refurbish of Engine #1 and Tower #2, and \$35,000 for portable radio replacement. Other capital includes \$50,000 in improvements within the Tennis Fund, \$61,500 for Lowdermilk Park parking lot repaving, \$410,000 for the City's PC replacement program, and \$166,930 for sidewalk improvements at River Park.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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CITY OF NAPLES, FLORIDA

Statement of Net Position

September 30, 2016

Assets	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 62,390,303	42,006,095	104,396,398
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	928,983	4,220,922	5,149,905
Special assessments	-	570,058	570,058
Utility taxes	266,555	-	266,555
Accrued interest	141,934	76,179	218,113
Internal balances	(782,364)	782,364	-
Due from other governments	966,981	826,477	1,793,458
Inventories	77,973	974,113	1,052,086
Prepaid items	20,079	-	20,079
Restricted assets			
Cash and investments	-	714,962	714,962
Capital assets			
Land and land improvements	16,418,277	3,141,603	19,559,880
Buildings and utility plants	38,935,949	62,426,962	101,362,911
Improvements other than buildings	38,543,914	63,647,756	102,191,670
Infrastructure	31,876,708	111,991,392	143,868,100
Equipment	23,274,126	24,345,906	47,620,032
Accumulated depreciation	(86,145,732)	(148,586,607)	(234,732,339)
Construction in progress	1,773,716	8,861,659	10,635,375
Net capital assets	<u>64,676,958</u>	<u>125,828,671</u>	<u>190,505,629</u>
Total assets	<u>128,687,402</u>	<u>175,999,841</u>	<u>304,687,243</u>
Deferred Outflows of Resources			
Deferred outflows - pensions	9,544,400	1,087,244	10,631,644
Deferred charge on refunding	264,060	85,563	349,623
Total deferred outflows of resources	<u>9,808,460</u>	<u>1,172,807</u>	<u>10,981,267</u>

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

CITY OF NAPLES, FLORIDA

Statement of Net Position

September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable and other current liabilities	\$ 4,117,551	4,450,434	8,567,985
Due to other governments	7,707	1,176,157	1,183,864
Unearned revenue	105,641	99,326	204,967
Customer deposits	399,549	30,481	430,030
Accrued interest payable	10,120	-	10,120
Liabilities payable from restricted assets			
Customer deposits	-	183,907	183,907
Total current liabilities	<u>4,640,568</u>	<u>5,940,305</u>	<u>10,580,873</u>
Noncurrent liabilities			
Revenue bonds payable, net of unamortized discounts and premiums			
Due within one year	1,566,000	2,882,916	4,448,916
Due in more than one year	6,986,000	12,879,367	19,865,367
Compensated absences			
Due within one year	392,923	203,000	595,923
Due in more than one year	2,226,560	663,818	2,890,378
Net pension liability	41,146,585	4,144,346	45,290,931
Other post-employment benefits	2,205,609	1,007,307	3,212,916
Claims payable			
Due within one year	1,066,329	-	1,066,329
Due in more than one year	2,724,000	-	2,724,000
Total noncurrent liabilities	<u>58,314,006</u>	<u>21,780,754</u>	<u>80,094,760</u>
Total liabilities	<u>62,954,574</u>	<u>27,721,059</u>	<u>90,675,633</u>
Deferred Inflows of Resources			
Deferred inflows - pensions	<u>779,827</u>	-	<u>779,827</u>
Net Position			
Net investment in capital assets	56,389,018	110,151,951	166,540,969
Restricted for			
Building and zoning	5,245,871	-	5,245,871
Capital projects	1,130,148	-	1,130,148
Streets and infrastructure	2,523,418	-	2,523,418
Economic development	3,430,898	-	3,430,898
Police programs	458,177	-	458,177
Culture and recreation improvements	8,574,305	-	8,574,305
Unrestricted	<u>(2,990,374)</u>	<u>39,299,638</u>	<u>36,309,264</u>
Total net position	<u>\$ 74,761,461</u>	<u>149,451,589</u>	<u>224,213,050</u>

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

CITY OF NAPLES, FLORIDA

Statement of Activities

Year Ended September 30, 2016

	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
Functions/programs		
Governmental activities		
General government	\$ 12,214,288	(2,659,160)
Public safety	28,611,921	404,150
Physical and economic environment	2,714,658	91,050
Transportation	3,950,056	92,190
Culture and recreation	8,397,402	-
Interest	188,208	-
Total governmental activities	<u>56,076,533</u>	<u>(2,071,770)</u>
Business-type activities		
Water and sewer	22,827,066	1,386,340
Solid waste	6,176,719	304,360
Stormwater	3,339,851	164,800
Beach	2,055,876	125,970
Dock	1,336,174	50,430
Tennis	532,143	39,870
Total business-type activities	<u>36,267,829</u>	<u>2,071,770</u>
Total primary government	<u>\$ 92,344,362</u>	<u>-</u>

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

Program Revenues			Net (Expense) Revenue and Change In Net Position		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
3,475,764	-	-	(6,079,364)	-	(6,079,364)
5,227,047	-	343,602	(23,445,422)	-	(23,445,422)
10,000	3,301,466	3,488	509,246	-	509,246
65,379	191,498	-	(3,785,369)	-	(3,785,369)
1,012,252	-	154,121	(7,231,029)	-	(7,231,029)
-	-	-	(188,208)	-	(188,208)
<u>9,790,442</u>	<u>3,492,964</u>	<u>501,211</u>	<u>(40,220,146)</u>	<u>-</u>	<u>(40,220,146)</u>
30,730,431	-	1,746,189	-	8,263,214	8,263,214
6,124,348	-	-	-	(356,731)	(356,731)
4,558,685	-	252,585	-	1,306,619	1,306,619
1,754,058	1,211,932	-	-	784,144	784,144
1,530,363	-	-	-	143,759	143,759
591,145	-	-	-	19,132	19,132
<u>45,289,030</u>	<u>1,211,932</u>	<u>1,998,774</u>	<u>-</u>	<u>10,160,137</u>	<u>10,160,137</u>
<u>55,079,472</u>	<u>4,704,896</u>	<u>2,499,985</u>	<u>(40,220,146)</u>	<u>10,160,137</u>	<u>(30,060,009)</u>
General revenues					
Property taxes			21,163,455	-	21,163,455
Local communication and utility taxes			5,436,983	-	5,436,983
Insurance premium tax			1,191,342	-	1,191,342
Motor fuel taxes			1,226,385	-	1,226,385
Business tax			304,435	-	304,435
Franchise fees			3,451,036	-	3,451,036
Intergovernmental revenues-unrestricted			3,440,243	-	3,440,243
Unrestricted investment earnings			524,052	432,554	956,606
Gain on sale of capital assets			34,584	-	34,584
Transfers			2,020,100	(2,020,100)	-
Total general revenues and transfers			<u>38,792,615</u>	<u>(1,587,546)</u>	<u>37,205,069</u>
Change in net position			(1,427,531)	8,572,591	7,145,060
Net position, beginning			76,188,992	140,878,998	217,067,990
Net position, ending			<u>\$ 74,761,461</u>	<u>149,451,589</u>	<u>224,213,050</u>

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

CITY OF NAPLES, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 20,423,754	847,349	6,136,873
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	707,051	-	-
Utility taxes	-	266,555	-
Accrued interest	62,683	697	16,667
Advances due from other funds	13,861	-	13,861
Due from other governments	857,870	-	-
Inventories	-	-	-
Prepaid items	20,079	-	-
Total assets	<u>\$ 22,085,298</u>	<u>1,114,601</u>	<u>6,167,401</u>
Liabilities			
Accounts payable	\$ 1,207,718	-	557,804
Accrued payroll	812,740	-	-
Due to other governments	7,707	-	-
Due to other funds	-	17,913	-
Advances payable to other funds	-	-	-
Unearned revenue	105,075	-	-
Customer deposits	-	-	-
Total liabilities	<u>2,133,240</u>	<u>17,913</u>	<u>557,804</u>
Deferred inflows of resources			
Unavailable revenue	<u>13,196</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	33,940	-	13,861
Restricted	-	-	-
Committed	3,507,279	-	1,469,457
Assigned	41,363	1,096,688	4,126,279
Unassigned	16,356,280	-	-
Total fund balances	<u>19,938,862</u>	<u>1,096,688</u>	<u>5,609,597</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,085,298</u>	<u>1,114,601</u>	<u>6,167,401</u>

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

Community Redevelopment Fund	Streets and Traffic Fund	Other Nonmajor Governmental Fund	Total
3,486,556	2,890,039	18,127,030	51,911,601
-	-	217,757	924,808
-	-	-	266,555
11,912	9,081	22,103	123,143
-	-	-	27,722
-	94,248	13,658	965,776
-	24,663	-	24,663
-	-	-	20,079
<u>3,498,468</u>	<u>3,018,031</u>	<u>18,380,548</u>	<u>54,264,347</u>
47,534	452,579	576,938	2,842,573
20,036	17,371	116,096	966,243
-	-	-	7,707
-	-	-	17,913
-	-	55,444	55,444
-	-	-	105,075
-	-	399,549	399,549
<u>67,570</u>	<u>469,950</u>	<u>1,148,027</u>	<u>4,394,504</u>
-	-	217,257	230,453
-	24,663	-	72,464
3,430,898	2,523,418	15,408,501	21,362,817
-	-	1,531,911	6,508,647
-	-	74,852	5,339,182
-	-	-	16,356,280
<u>3,430,898</u>	<u>2,548,081</u>	<u>17,015,264</u>	<u>49,639,390</u>
<u>3,498,468</u>	<u>3,018,031</u>	<u>18,380,548</u>	<u>54,264,347</u>

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

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CITY OF NAPLES, FLORIDA
 Reconciliation of the Balance Sheet–Governmental Funds
 to the Statement of Net Position
 September 30, 2016

Total fund balances governmental funds (page 19)	\$ 49,639,390
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Total capital assets (\$64,676,958) less amounts included in the internal service funds (\$984,945).	63,692,013
Some deferred inflows of resources are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	230,453
The deferred outflows of resources are not available and, therefore, are not reported in the governmental funds.	264,060
Accrued long term debt interest expense is not a financial use and, therefore, is not reported in the funds.	(10,120)
Deferred outflows (\$9,544,400), deferred inflows (\$779,827), and the net pension liability (\$41,146,585) related to the City's pension plans less amounts reported in the internal service funds (\$375,186) are not expected to be liquidated with expendable available financial resources and, therefore are not reported in the funds.	(32,006,826)
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 (\$17,167,421) less amounts reported in the internal service funds (\$4,059,309).	(13,108,112)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurance and information services to individual funds. This is the net position included in the governmental activities in the Statement of Net Position.	6,060,603
Net position of governmental activities (page 15)	<u>\$ 74,761,461</u>

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

CITY OF NAPLES, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund
Revenues			
Taxes	\$ 23,142,307	3,411,881	-
Permits, fees and assessments	3,522,404	-	-
Intergovernmental	4,054,906	-	-
Charges for services	1,928,838	-	-
Charges to other funds	3,179,420	-	-
Fines and forfeitures	333,022	-	-
Interest	188,308	7,985	59,894
Donations	-	-	-
Miscellaneous	-	-	-
Total revenues	36,349,205	3,419,866	59,894
Expenditures			
Current			
General government	8,237,014	59,980	63,800
Public safety	21,806,335	-	-
Physical and economic environment	-	-	-
Transportation	-	-	-
Culture and recreation	6,096,202	-	-
Capital outlay			
General government	-	-	481,057
Public safety	31,678	-	1,217,150
Physical and economic environment	-	-	-
Transportation	-	-	730,810
Culture and recreation	26,723	-	-
Debt service			
Principal	-	1,516,000	-
Interest and fiscal charges	-	133,063	-
Total expenditures	36,197,952	1,709,043	2,492,817
Excess (deficiency) of revenues over (under) expenditures	151,253	1,710,823	(2,432,923)
Other financing sources (uses)			
Transfers in	2,067,600	963,389	3,333,138
Transfers out	(827,450)	(3,000,000)	-
Proceeds from sale of capital assets	764	-	94,405
Total other financing sources (uses)	1,240,914	(2,036,611)	3,427,543
Change in fund balances	1,392,167	(325,788)	994,620
Fund balances, beginning of year	18,546,695	1,422,476	4,614,977
Fund balances, end of year	\$ 19,938,862	1,096,688	5,609,597

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

Community Redevelopment Fund	Streets and Traffic Fund	Other Nonmajor Governmental Fund	Total
628,592	1,851,385	288,435	29,322,600
-	250,635	4,899,865	8,672,904
1,898,827	368,902	3,488	6,326,123
-	-	14,605	1,943,443
-	-	-	3,179,420
-	-	131,882	464,904
34,843	40,710	89,791	421,531
-	-	108,355	108,355
32,500	24,913	9,632	67,045
<u>2,594,762</u>	<u>2,536,545</u>	<u>5,546,053</u>	<u>50,506,325</u>
-	-	13,252	8,374,046
-	-	4,021,019	25,827,354
947,221	-	424,222	1,371,443
-	3,153,133	-	3,153,133
-	-	1,108,130	7,204,332
-	-	-	481,057
-	-	204,164	1,452,992
277,680	-	97,865	375,545
-	528,917	-	1,259,727
-	-	758,151	784,874
-	-	-	1,516,000
921	-	5,324	139,308
<u>1,225,822</u>	<u>3,682,050</u>	<u>6,632,127</u>	<u>51,939,811</u>
<u>1,368,940</u>	<u>(1,145,505)</u>	<u>(1,086,074)</u>	<u>(1,433,486)</u>
540,572	450,000	-	7,354,699
(963,389)	-	(543,760)	(5,334,599)
-	-	-	95,169
<u>(422,817)</u>	<u>450,000</u>	<u>(543,760)</u>	<u>2,115,269</u>
946,123	(695,505)	(1,629,834)	681,783
2,484,775	3,243,586	18,645,098	48,957,607
<u>3,430,898</u>	<u>2,548,081</u>	<u>17,015,264</u>	<u>49,639,390</u>

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

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CITY OF NAPLES, FLORIDA
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended September 30, 2016

Net change in fund balances—total governmental funds (page 23)	\$ 681,783
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 expense exceeded capital outlays in the current period.	(810,915)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(66,510)
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt payments made in the current period.	1,516,000
Some revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.	(86,298)
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.	(3,279,614)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurances and information systems. This is the net revenue (expense) of the internal service funds reported within governmental activities.	618,023
Change in net position of governmental activities (page 15)	<u>\$ (1,427,531)</u>

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

<u>Nonmajor Funds</u>	<u>Total</u>	<u>Governmental Activities– Internal Service Funds</u>
4,521,935	42,006,095	10,478,702
63,648	714,962	-
38,761	4,220,922	4,175
-	570,058	-
9,483	76,179	18,791
-	257,437	-
365,186	826,477	1,205
17,913	17,913	-
18,518	974,113	53,310
<u>5,035,444</u>	<u>49,664,156</u>	<u>10,556,183</u>
-	3,141,603	-
1,915,174	62,426,962	846,944
9,445,102	63,647,756	-
-	111,991,392	-
1,659,299	24,345,906	2,856,772
(9,775,391)	(148,586,607)	(2,718,771)
152,316	8,861,659	-
<u>3,396,500</u>	<u>125,828,671</u>	<u>984,945</u>
<u>8,431,944</u>	<u>175,492,827</u>	<u>11,541,128</u>
114,011	1,087,244	133,433
-	85,563	-
<u>114,011</u>	<u>1,172,807</u>	<u>133,433</u>

(Continued)

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

CITY OF NAPLES, FLORIDA

Statement of Net Position

Proprietary Funds

September 30, 2016

	Business-type Activities—Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Liabilities			
Current liabilities			
Accounts payable	\$ 2,084,306	175,835	1,619,376
Accrued payroll	312,523	66,289	41,646
Due to other governments	1,176,157	-	-
Unearned revenue	37,288	-	-
Accrued interest payable	29,186	-	1,295
Current portion of compensated absences	100,000	56,000	22,000
Current maturities of long-term debt	2,657,203	-	225,713
Insurance claims payable	-	-	-
Total payable from current assets	<u>6,396,663</u>	<u>298,124</u>	<u>1,910,030</u>
Current liabilities (payable from restricted assets)			
Customer deposits	120,259	-	-
Total current liabilities	<u>6,516,922</u>	<u>298,124</u>	<u>1,910,030</u>
Noncurrent liabilities			
Due in more than one year			
Revenue bonds payable, net of unamortized discounts and premiums	11,945,406	-	933,961
Compensated absences	491,578	85,705	34,590
Advances due to other funds	229,715	-	-
Net pension liability	2,681,555	638,857	389,346
Other post-employment benefits	687,596	168,026	62,575
Insurance claims payable	-	-	-
Total noncurrent liabilities	<u>16,035,850</u>	<u>892,588</u>	<u>1,420,472</u>
Total liabilities	<u>22,552,772</u>	<u>1,190,712</u>	<u>3,330,502</u>
Net Position			
Net investment in capital assets	82,939,772	5,468,593	18,347,086
Restricted for flexible benefits	-	-	-
Unrestricted	25,938,605	427,967	7,923,670
Net position of business-type activities	<u>\$ 108,878,377</u>	<u>5,896,560</u>	<u>26,270,756</u>

Adjustment to report cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds.
Net position of business-type activities

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

<u>Nonmajor Funds</u>	<u>Total</u>	<u>Governmental Activities– Internal Service Funds</u>
104,054	3,983,571	256,345
46,405	466,863	52,390
-	1,176,157	-
62,038	99,326	566
-	30,481	-
25,000	203,000	40,000
-	2,882,916	-
-	-	1,066,329
<u>237,497</u>	<u>8,842,314</u>	<u>1,415,630</u>
63,648	183,907	-
<u>301,145</u>	<u>9,026,221</u>	<u>1,415,630</u>
-	12,879,367	-
51,945	663,818	104,740
-	229,715	-
434,588	4,144,346	508,619
89,110	1,007,307	124,240
-	-	2,724,000
<u>575,643</u>	<u>18,924,553</u>	<u>3,461,599</u>
<u>876,788</u>	<u>27,950,774</u>	<u>4,877,229</u>
3,396,500	110,151,951	984,945
-	-	309,506
<u>4,272,667</u>	<u>38,562,909</u>	<u>5,502,881</u>
<u>7,669,167</u>	<u>148,714,860</u>	<u>6,797,332</u>
	<u>736,729</u>	
	<u>\$ 149,451,589</u>	

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

CITY OF NAPLES, FLORIDA
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended September 30, 2016

	Business-type Activities—Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Operating revenues			
Charges for services			
Water revenues	\$ 16,611,212	-	-
Sewer revenues	14,046,008	-	-
Other	73,211	6,124,348	4,558,685
Total operating revenues	<u>30,730,431</u>	<u>6,124,348</u>	<u>4,558,685</u>
Operating expenses			
Personal services	7,783,334	1,913,900	1,178,452
Supplies, services and claims	4,249,007	3,648,686	493,813
Materials	2,055,563	-	-
Utilities	1,705,005	23,098	32,992
Depreciation and amortization	6,396,011	595,503	1,580,394
General administration	1,386,340	304,360	164,800
Other	435,734	54,850	38,861
Total operating expenses	<u>24,010,994</u>	<u>6,540,397</u>	<u>3,489,312</u>
Operating income (loss)	<u>6,719,437</u>	<u>(416,049)</u>	<u>1,069,373</u>
Nonoperating revenues (expenses)			
Operating grants	-	-	-
Interest income	284,893	10,781	96,536
Interest expense	(357,698)	-	(17,264)
Gain on sale of capital assets	45,183	38,036	-
Total nonoperating revenues (expenses)	<u>(27,622)</u>	<u>48,817</u>	<u>79,272</u>
Income (loss) before contributions and transfers	6,691,815	(367,232)	1,148,645
Capital contributions	1,746,189	-	252,585
Transfers in	-	-	-
Transfers out	(1,722,000)	(345,600)	-
Change in net position	<u>6,716,004</u>	<u>(712,832)</u>	<u>1,401,230</u>
Net position, beginning of year	102,162,373	6,609,392	24,869,526
Net position, end of year	<u>\$ 108,878,377</u>	<u>5,896,560</u>	<u>26,270,756</u>

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

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

<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Governmental Activities– Internal Service Funds</u>
-	16,611,212	-
-	14,046,008	-
3,875,566	14,631,810	13,892,588
<u>3,875,566</u>	<u>45,289,030</u>	<u>13,892,588</u>
1,376,925	12,252,611	1,461,139
1,636,355	10,027,861	11,048,700
-	2,055,563	-
198,162	1,959,257	22,843
529,091	9,100,999	301,691
216,270	2,071,770	396,480
206,356	735,801	6,130
<u>4,163,159</u>	<u>38,203,862</u>	<u>13,236,983</u>
<u>(287,593)</u>	<u>7,085,168</u>	<u>655,605</u>
1,211,932	1,211,932	-
40,344	432,554	102,521
(170)	(375,132)	-
10,148	93,367	5,925
<u>1,262,254</u>	<u>1,362,721</u>	<u>108,446</u>
974,661	8,447,889	764,051
-	1,998,774	-
47,500	47,500	-
-	(2,067,600)	-
<u>1,022,161</u>	<u>8,426,563</u>	<u>764,051</u>
6,647,006		6,033,281
<u>7,669,167</u>		<u>6,797,332</u>
	<u>146,028</u>	
	<u>\$ 8,572,591</u>	

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

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year Ended September 30, 2016

	Business-type Activities—Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Cash flows from operating activities			
Cash received from customers	\$ 30,964,201	6,367,615	4,738,956
Cash payments to suppliers	(7,914,178)	(3,683,469)	107,967
Cash payments to employees for services	(7,223,670)	(1,782,192)	(1,095,088)
Cash payments for interfund services	(1,386,340)	(304,360)	(164,800)
Net cash provided by operating activities	<u>14,440,013</u>	<u>597,594</u>	<u>3,587,035</u>
Cash flows from noncapital financing activities			
Transfers in (out)	(1,258,080)	(345,600)	234,206
Loans/advances and repayments from (to) other funds	-	-	-
Operating grants	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>(1,258,080)</u>	<u>(345,600)</u>	<u>234,206</u>
Cash flows from capital and related financing activities			
Principal paid on long-term debt	(2,839,858)	-	(222,812)
Interest paid on long-term debt	(355,293)	-	(17,214)
Capital contributions	1,746,189	-	-
Proceeds from sale of capital assets	45,477	38,212	-
Acquisition and construction of capital assets	(10,951,028)	(661,479)	(3,332,949)
Net cash provided by (used in) capital and related financing activities	<u>(12,354,513)</u>	<u>(623,267)</u>	<u>(3,572,975)</u>
Cash flows from investing activities			
Interest and investment earnings	269,081	12,760	89,621
Net cash provided by investing activities	<u>269,081</u>	<u>12,760</u>	<u>89,621</u>
Net change in cash and cash equivalents	1,096,501	(358,513)	337,887
Cash and cash equivalents, beginning of year	26,702,422	1,327,315	9,029,862
Cash and cash equivalents, end of year	<u>\$ 27,798,923</u>	<u>968,802</u>	<u>9,367,749</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 6,719,437	(416,049)	1,069,373
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	6,396,011	595,503	1,580,394
Changes in assets and liabilities			
Decrease in accounts receivable, net	540,213	242,687	183,271
(Increase) in miscellaneous receivables	-	-	-
(Increase) decrease in due from other governments	(273,022)	580	(3,000)
Decrease in inventories	1,163	-	-
Decrease in prepaid items	-	745	979
(Increase) in deferred outflows	(307,714)	(73,310)	(44,679)
Increase (decrease) in accounts payable	598,487	42,420	672,654
Increase (decrease) in accrued payroll	90,562	12,176	7,376
Increase in due to other governments	24,047	-	-
Increase (decrease) in unearned revenue	(33,421)	-	-
Increase (decrease) in customer deposits	(92,566)	-	-
(Decrease) in insurance claims payable	-	-	-
(Decrease) in deferred inflows	(1,845)	(439)	(268)
Increase in net pension liability	699,413	166,629	101,550
Increase in other post-employment benefits	96,751	22,893	11,753
Increase (decrease) in compensated absences	(17,503)	3,759	7,632
Net cash provided by operating activities	<u>\$ 14,440,013</u>	<u>597,594</u>	<u>3,587,035</u>
Noncash investing, capital, and financing activities			
Amortization of loss on revenue refunding bonds	\$ 7,440	-	-

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

Nonmajor Funds	Total	Governmental Activities– Internal Service Funds
3,901,347	45,972,119	13,888,166
(1,031,499)	(12,521,179)	(10,980,877)
(944,014)	(11,044,964)	(874,591)
(561,080)	(2,416,580)	(905,469)
<u>1,364,754</u>	<u>19,989,396</u>	<u>1,127,229</u>
47,500	(1,321,974)	-
(17,913)	(17,913)	-
611,932	611,932	-
<u>641,519</u>	<u>(727,955)</u>	<u>-</u>
(20,000)	(3,082,670)	-
(193)	(372,700)	-
600,000	2,346,189	-
10,148	93,837	5,925
(947,627)	(15,893,083)	(307,635)
<u>(357,672)</u>	<u>(16,908,427)</u>	<u>(301,710)</u>
40,507	411,969	93,056
<u>40,507</u>	<u>411,969</u>	<u>93,056</u>
1,689,108	2,764,983	918,575
2,896,475	39,956,074	9,560,127
<u>4,585,583</u>	<u>42,721,057</u>	<u>10,478,702</u>
(287,593)	7,085,168	655,605
529,091	9,100,999	301,691
51,664	1,017,835	-
-	-	(3,833)
1,468,232	1,192,790	(636)
234	1,397	31,755
-	1,724	-
(49,870)	(475,573)	(58,364)
(455,274)	858,287	98,042
11,831	121,945	(4,682)
-	24,047	-
(32,448)	(65,869)	47
2,747	(89,819)	-
-	-	(33,001)
(299)	(2,851)	(350)
113,352	1,080,944	132,660
17,646	149,043	17,649
(4,559)	(10,671)	(9,354)
<u>1,364,754</u>	<u>19,989,396</u>	<u>1,127,229</u>
-	7,440	-

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

CITY OF NAPLES, FLORIDA
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 5,956,516	137
Contributions receivable	799,401	-
Investments, at fair value		
U.S. Treasury securities	6,641,365	-
U.S. Government agency securities	1,709,954	-
Municipal obligations	461,025	-
Asset-backed securities	7,975,080	-
Corporate bonds	11,531,252	-
Common stock/equity funds	95,432,305	-
Real estate investment trusts	6,652,742	-
Mutual funds	9,215,436	-
Alternative investments	6,974,664	-
Total investments	146,593,823	-
Total assets	153,349,740	137
Liabilities		
Accounts payable	35,211	137
Total liabilities	35,211	137
Net position		
Restricted for pension benefits	\$ 153,314,529	-

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

CITY OF NAPLES, FLORIDA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2016

	Pension Trust Funds
Additions	
Contributions	
Employee contributions	\$ 1,632,563
Employer contributions	5,797,494
State contributions	1,191,342
Total contributions	8,621,399
Investment earnings	
Interest and dividend income	3,190,454
Net change in fair value of investments	6,933,879
Less investment expense	(779,920)
Net investment earnings	9,344,413
Total additions	17,965,812
Deductions	
Benefits paid	8,675,952
Refunds of contributions	1,344,811
General administration	339,332
Total deductions	10,360,095
Change in net position	7,605,717
Net position, restricted for pension benefits	
Beginning of year	145,708,812
End of year	\$ 153,314,529

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

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

I. Summary of Significant Accounting Policies and Practices

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

A. Reporting Entity

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

Included in the City's activities are the Moorings Bay Special Taxing District and the East Naples Bay Special Taxing District. The two Special Taxing Districts were created and established by Ordinances No. 87-5328 and No. 87-5330, respectively, for the purpose of providing maintenance dredging in the channels and waterways within the area or boundary of the respective District, and to maintain necessary aids to navigation. Funds for the taxing districts are provided through an ad valorem tax that is levied only within these specified districts.

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

Blended Component Unit. The Community Redevelopment Agency is a blended component unit of this reporting entity, as the governing board of the Community Redevelopment Agency is substantively the same as the City Council and a financial benefit / burden relationship does exist between the two entities. Ordinance No. 94-7099 created the Community Redevelopment Agency for the rehabilitation, conservation or redevelopment of the designated district. The tax increment from both Collier County and the City provides the source of revenue for the Community Redevelopment Agency.

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

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

B. Government-wide and Fund Financial Statements

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements September 30, 2016

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements September 30, 2016

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.

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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

D. Assets, Liabilities and Fund Balance/Net Position

1. Deposits and Investments

a. Cash and Cash Equivalents

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

b. Investments

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

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

2. Receivables and Payables

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

a. Advances to Other Funds

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

b. Short-Term Interfund Receivables/Payables

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

3. Inventories

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

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

4. Restricted Assets

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

5. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable City or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets 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 Position. Expenditures for compensated absences in governmental funds are those paid during the current fiscal year and the amount unpaid at the end of the reporting period that has matured. For proprietary funds, the liability relating to vested personal leave is reflected on the accrual basis.

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Notes to Financial Statements
September 30, 2016

7. Long-term Obligations

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

8. Net Position

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

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

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

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

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

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.

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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 5 (H) for a detail of restricted, committed and assigned fund balances.

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

Fund Balance/Net Position Policy

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

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

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

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

9. Administrative Fees

Certain administrative expenses are incurred by the General Fund on behalf of other funds of the City. The General Fund collects for these services based on a percentage of operating costs and personnel costs. The related reimbursements for these services are recorded as either an operating expense in the proprietary funds or as expenditure in the governmental funds. Such fees amounted to \$3,179,420 for fiscal year 2016, and included \$2,071,770 charged to enterprise funds, \$396,480 charged to internal service and fiduciary funds, and \$711,170 charged to the debt service fund, building and zoning, streets and traffic and CRA special revenue funds, and capital projects funds.

10. Deferred Outflows / Inflows of Resources

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

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11. Pension

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

II. Reconciliation of Government-wide and Fund Financial Statements

A. *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position*

The governmental funds balance sheet includes reconciliation between *total fund balances—governmental funds and net position—governmental activities* as reported in the government-wide Statement of Net Position.

One element of that reconciliation explains that “deferred outflows of resources are not available to pay for current period expenditures and, therefore are not recorded in the funds.” The details of this difference are as follows:

Deferred outflows of resources	\$ 264,060
Net adjustment to increase fund balance—governmental funds to arrive at net position—governmental activities.	<u>\$ 264,060</u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, compensated absences, and other post-employment benefits are not due and payable in the current period, and therefore are not reported in the funds.” The details of this difference are as follows:

Debt payable	\$ (8,552,000)
Other post-employment benefits	(2,081,369)
Compensated absences	<u>(2,474,743)</u>
Net adjustment to reduce total fund balance—governmental funds to arrive at net position—governmental activities.	<u>\$ (13,108,112)</u>

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

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between the *net change in fund balances—total governmental funds* and *change in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 4,173,459
Depreciation expense	<u>(4,984,374)</u>
Net adjustment to decrease net change in fund balances— total governmental funds to arrive at change in net position of governmental activities.	<u>\$ (810,915)</u>

Another element of that reconciliation states that “some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Change in	
Compensated absences	\$ (41,589)
Other post-employment benefits	(299,623)
Deferred outflows - pensions	4,423,868
Accrued interest	1,397
Net pension liability	(6,586,340)
Deferred charge on refunding	(50,297)
Deferred inflows - pensions	<u>(727,030)</u>
Net adjustment to decrease net change in fund balances— total governmental funds to arrive at change in net position of governmental activities.	<u>\$ (3,279,614)</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, Grants Fund, 41-10 Open Space Fund, Parking Trust Fund, Impact Fee Fund, and Land Contribution Fund, were governmental funds excluded from the appropriation process. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The budget process begins in March, with the development of the Capital Improvement Program and the operating budgets.
2. The Five Year Capital Improvement Program document is presented to Council in June.
3. The Preliminary Budget document is presented to Council in July.

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4. A workshop on the proposed budget is conducted in August.
5. In September, two public hearings are conducted to obtain taxpayer comments.
6. The budget is legally enacted through passage of an ordinance, effective October 1.
7. The appropriated budget is prepared by fund, function, department, activity, and object. The appropriations ordinance is enacted on an annual basis. The legal level of budgetary control is maintained at the fund level in accordance with the adopted annual budget ordinance. Total expenditures may not legally exceed appropriations for each budgeted fund.
8. Within a single fund or department, budget amendments may be made by the department head with the City Manager's approval. All other changes, including increasing the budget, transfers, capital amendments and addition of employees require City Council approval via resolution.
9. Unused appropriations lapse at the end of the year.

Budgeted amounts in the accompanying financial statements are as originally adopted, or as amended by the appropriate authority. Significant budget amendments made during the year include an increase in appropriations in the City Dock Fund of \$496 thousand for continued design, engineering, and construction management services to replace the City dock and \$750 thousand in the Baker Park Fund for the engineering, design, and permitting process related to the City's construction of the new Baker Park.

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

Governmental activities	
General Fund	\$ 41,363
Capital Projects Fund	772,090
Community Redevelopment Fund	2,183,268
Streets and Traffic Fund	505,130
Nonmajor governmental funds	1,459,050
Internal service funds	18,545
Business-type activities	
Water and Sewer Fund	3,488,575
Solid Waste Fund	66,428
Stormwater Fund	855,497
Nonmajor Business-type funds	356,697
	<u>\$ 9,746,643</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

IV. Detailed Notes on All Funds

A. *Cash and Investments*

On April 18, 2014, the City Council formally adopted a revised comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the City's cash and investment assets. The City maintains a common cash and investment pool for the use of all funds. In addition, several separate accounts are maintained for specialty purposes including debt service, capital projects and trust funds.

Cash and Cash Equivalents

Cash and cash equivalents in the general investment portfolio and pension portfolio consist of cash and money market accounts held by banks that qualify as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes in the amount of \$13,630,728 and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

The funds in the money market accounts are rated Aaa by Moody's. The City's investment in the Local Government Surplus Funds Trust Fund ("LGIP") Fund A, a Securities and Exchange Commission Rule 2a7-like external investment pool, in the amount of \$311,867 is reported at amortized cost and has a weighted average of 50 days to maturity as of September 30, 2016. Fund A is rated AAAM by Standard & Poors.

Investment Portfolios

Investment holdings consist of a \$91,165,295 General Investment Portfolio and a \$146,593,823 Pension Portfolio. Both portfolios are reported at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

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

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

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

As of September 30, 2016, the City had the following investments with effective durations presented in terms of years:

THE CITY OF NAPLES, FLORIDA

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September 30, 2016

General Investment Portfolio

<u>Investment Type</u>	<u>Credit Rating (Moody's)</u>	<u>Fair Market</u>	<u>Investment Maturity (in Years)</u>	
			<u>Less Than 1</u>	<u>1 - 5</u>
U.S. Treasury securities	Aaa	\$ 56,901,016	20,489,046	36,411,970
U.S. Government agency securities	Aaa	27,846,551	9,167,386	18,679,165
Corporate bonds	Aaa..Aa3	2,823,424	-	2,823,424
Money market fund	AAAm	2,492,195	2,492,195	-
State investment pool	AAAm	311,867	311,867	-
Certificates of deposit	N/A	790,242	790,242	-
Total investments		<u>\$ 91,165,295</u>	<u>33,250,736</u>	<u>57,914,559</u>

Pension Portfolio

<u>Investment Type</u>	<u>Credit Rating (Moody's)</u>	<u>Fair Market</u>	<u>Investment Maturity (in Years)</u>			
			<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Treasury securities	Aaa	\$ 6,641,365	-	2,476,653	4,164,712	-
U.S. Government agency securities	Aaa..A3	1,709,954	-	46,253	2,760	1,660,941
Municipal obligations	Aaa	461,025	-	-	461,025	-
Asset-backed securities	Aaa..Baa3	7,975,080	-	3,116,378	1,773,130	3,085,572
Corporate bonds	Aaa..Ba3	11,531,252	338,812	6,705,436	3,968,721	518,283
		28,318,676	<u>\$ 338,812</u>	<u>\$ 12,344,720</u>	<u>\$ 10,370,348</u>	<u>\$ 5,264,796</u>
Common stock/equity funds	Not rated	95,432,304				
Real estate investment trusts	Not rated	13,627,407				
Mutual funds	Not rated	9,215,436				
Total investments		<u>\$ 146,593,823</u>				

Fair Value Measurements

The City categorizes its fair value measurements within fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs for similar assets; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2016:

General Investment Portfolio

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury securities	\$ 56,901,016	56,901,016	-	-
U.S. Government agency securities	27,846,551	13,727,625	14,118,926	-
Corporate bonds	2,823,424	2,823,424	-	-
Investments Exempt from Level Disclosure:				
Money market fund	2,492,195	-	-	-
State investment pool	311,867	-	-	-
Certificates of deposit	790,242	-	-	-
Total investments	<u>\$ 91,165,295</u>	<u>73,452,065</u>	<u>14,118,926</u>	<u>-</u>

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Pension Portfolio

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury securities	\$ 6,641,365	6,641,365	-	-
U.S. Government agency securities	1,709,954	-	1,709,954	-
Municipal obligations	461,025	-	461,025	-
Asset-backed securities	7,975,080	-	7,975,080	-
Corporate bonds	95,432,304	95,432,304	-	-
Common stock/equity funds	11,531,252	-	11,531,252	-
Mutual funds	9,215,436	9,215,436	-	-
Total by fair value level	132,966,416	\$ 111,289,105	21,677,311	-

Investments Measured at NAV:

Real estate trust funds	13,627,407
Total measured at fair value	\$ 146,593,823

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

Interest Rate Risk

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

Liquidity Rate Risk

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

Credit Risk

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

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

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

Custodial Credit Risk

The City's investment policy pursuant to Section 218.415(18), Florida Statutes requires securities, with the exception of certificates of deposits, to be held with a third party custodian; and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

As of September 30, 2016, 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, 2016, 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	\$ 13,946,202	13.27%
Money Market	2,492,195	2.37%
Local Government Surplus Funds Trust Fund ("SBA"), Fund A	311,867	0.30%
Certificates of deposit	790,242	0.75%
United States Treasury securities	56,901,016	54.13%
United States Agency securities	27,846,551	26.50%
Corporate bonds	2,823,424	2.69%
Total	<u>\$ 105,111,497</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, 2016, 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	\$ 1,388	0.00%
Money Market	5,955,128	3.90%
U.S. Treasury securities	6,641,365	4.35%
U.S. Government agency securities	1,709,954	1.12%
Municipal obligations	461,025	0.31%
Asset-backed securities	7,975,080	5.23%
Corporate bonds	11,531,252	7.56%
Common stock/equity funds	95,432,305	62.55%
Real estate investment trusts	13,627,406	8.93%
Mutual funds	9,215,436	6.04%
Total	<u>\$ 152,550,339</u>	

Foreign Currency Risk

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

B. Property Taxes

The City’s property tax is levied each November 1, on the assessed value for all property located within the City. Assessed values are established by the Collier County Property Appraiser at fair values. At January 1, 2015, the assessed value of the principal taxing authority’s property upon which the 2015-2016 tax levy was based was \$18.3 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2016, was 1.1800 (\$1.18 per \$1,000 of assessed value). The assessed values at January 1, 2015, of the dependent special districts, East Naples Bay and Moorings Bay, were \$511 million, and \$1,690 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, 2016.

Total ad valorem taxes collected for the year ended September 30, 2016, aggregated \$21,163,444, net of cash discounts, of which \$20,246,417 was designated for general government services, \$628,592 for the Community Redevelopment Agency, \$247,356 for East Naples Bay Taxing District, and \$41,079 for the Moorings Bay Taxing District.

THE CITY OF NAPLES, FLORIDA

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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 2015 tax roll year, the assessment roll was opened for collection on November 1, 2015, and discounts for payment prior to April 1, 2016, were determined as follows:

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

Taxes become delinquent on April 1 of each year and tax certificates for the full amount of any unpaid taxes must be sold no later than June 1 of the same year. No amount for the property tax levy becoming due in November 2016 is included in the accompanying financial statements since such taxes are levied to finance expenditures of the subsequent period.

C. Receivables

Receivables at September 30, 2016, for the City's individual major funds and for the total nonmajor funds were as follows:

	Accounts/ Miscellaneous Receivable	Special Assessments	Utility Taxes	Due From Other Governments	Interest and Other	Total
Governmental activities						
Major funds						
General Fund	\$ 707,051	-	-	857,870	62,683	1,627,604
Debt Service Fund	-	-	266,555	-	697	267,252
Capital Projects Fund	-	-	-	-	16,667	16,667
Community Redevelopment Fund	-	-	-	-	11,912	11,912
Streets and Traffic Fund	-	-	-	94,248	9,081	103,329
Nonmajor funds	217,757	-	-	13,658	22,103	253,518
Internal Service Fund	4,175	-	-	1,205	18,791	24,171
	<u>\$ 928,983</u>	<u>-</u>	<u>266,555</u>	<u>966,981</u>	<u>141,934</u>	<u>2,304,453</u>
Business type activities						
Major funds						
Water and Sewer Fund	\$ 3,345,782	570,058	-	457,900	43,159	4,416,899
Solid Waste Fund	475,287	-	-	391	6,599	482,277
Stormwater Fund	361,092	-	-	3,000	16,938	381,030
Nonmajor funds	38,761	-	-	365,186	9,483	413,430
	<u>\$ 4,220,922</u>	<u>570,058</u>	<u>-</u>	<u>826,477</u>	<u>76,179</u>	<u>5,693,636</u>

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Notes to Financial Statements
September 30, 2016

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, 2016, are as follows:

Water and Sewer Fund	\$ 12,172
Solid Waste Fund	1,239
Stormwater Fund	<u>2,451</u>
	<u>\$ 15,862</u>

D. Capital Assets
Governmental Activities

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2016, is as follows:

<u>Governmental Activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated				
Land	\$ 16,418,277	-	-	16,418,277
Construction in progress	434,245	1,405,310	(65,839)	1,773,716
Total capital assets not being depreciated	<u>16,852,522</u>	<u>1,405,310</u>	<u>(65,839)</u>	<u>18,191,993</u>
Capital assets being depreciated				
Buildings	38,367,570	568,379	-	38,935,949
Improvements other than buildings	37,845,725	698,189	-	38,543,914
Infrastructure	31,735,904	140,804	-	31,876,708
Equipment	22,185,107	1,734,251	(645,232)	23,274,126
Total capital assets being depreciated	<u>130,134,306</u>	<u>3,141,623</u>	<u>(645,232)</u>	<u>132,630,697</u>
Less accumulated depreciation for				
Buildings	(17,988,051)	(1,199,408)	-	(19,187,459)
Improvements other than buildings	(25,630,609)	(1,627,903)	-	(27,258,512)
Infrastructure	(22,927,645)	(787,105)	-	(23,714,750)
Equipment	(14,892,084)	(1,671,649)	578,722	(15,985,011)
Total accumulated depreciation	<u>(81,438,389)</u>	<u>(5,286,065)</u>	<u>578,722</u>	<u>(86,145,732)</u>
Total capital assets being depreciated, net	<u>48,695,917</u>	<u>(2,144,442)</u>	<u>(66,510)</u>	<u>46,484,965</u>
Total governmental capital assets, net	<u>\$ 65,548,439</u>	<u>(739,132)</u>	<u>(132,349)</u>	<u>64,676,958</u>

Depreciation expense was charged to the governmental activities as follows:

Governmental activities	
General government	\$ 416,478
Public safety	1,263,497
Physical and economic environment	1,275,711
Transportation	885,428
Cultural and recreation	1,143,260
Internal service	<u>301,691</u>
Total depreciation expense, governmental activities	<u>\$ 5,286,065</u>

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Notes to Financial Statements
September 30, 2016

Business-type Activities

A summary of changes in capital assets of business-type activities for the year ended September 30, 2016, is as follows:

Water and Sewer Fund	Balance October 1	Additions	Transfers/ Retirements	Balance September 30
Capital assets not being depreciated				
Land and easements	\$ 1,761,684	-	-	1,761,684
Construction in progress	100,341	4,393,890	-	4,494,231
Total capital assets not being depreciated	<u>1,862,025</u>	<u>4,393,890</u>	<u>-</u>	<u>6,255,915</u>
Capital assets being depreciated				
Buildings and utility plants	59,482,305	500,693	-	59,982,998
Improvements other than buildings	46,483,896	3,250,045	-	49,733,941
Infrastructure	81,909,723	653,175	-	82,562,898
Equipment	15,417,445	2,153,227	(117,880)	17,452,792
Total capital assets being depreciated	<u>203,293,369</u>	<u>6,557,140</u>	<u>(117,880)</u>	<u>209,732,629</u>
Less accumulated depreciation for				
Buildings	(30,602,863)	(897,892)	-	(31,500,755)
Improvements other than buildings	(24,211,343)	(2,306,897)	-	(26,518,240)
Infrastructure	(45,633,304)	(2,062,324)	-	(47,695,628)
Equipment	(11,805,789)	(1,128,900)	117,586	(12,817,103)
Total accumulated depreciation	<u>(112,253,299)</u>	<u>(6,396,013)</u>	<u>117,586</u>	<u>(118,531,726)</u>
Total capital assets being depreciated, net	<u>91,040,070</u>	<u>161,127</u>	<u>(294)</u>	<u>91,200,903</u>
Water and sewer fund capital assets, net	<u>\$ 92,902,095</u>	<u>4,555,017</u>	<u>(294)</u>	<u>97,456,818</u>
Solid Waste Fund	Balance October 1	Additions	Transfers/ Retirements	Balance September 30
Capital assets not being depreciated				
Land	\$ 1,145,053	-	-	1,145,053
Total capital assets not being depreciated	<u>1,145,053</u>	<u>-</u>	<u>-</u>	<u>1,145,053</u>
Capital assets being depreciated				
Buildings and utility plants	528,790	-	-	528,790
Improvements other than buildings	4,405,535	63,178	-	4,468,713
Equipment	3,910,915	598,301	(388,974)	4,120,242
Total capital assets being depreciated	<u>8,845,240</u>	<u>661,479</u>	<u>(388,974)</u>	<u>9,117,745</u>
Less accumulated depreciation for				
Buildings	(389,478)	(25,540)	-	(415,018)
Improvements other than buildings	(1,122,231)	(206,246)	-	(1,328,477)
Equipment	(3,075,791)	(363,717)	388,798	(3,050,710)
Total accumulated depreciation	<u>(4,587,500)</u>	<u>(595,503)</u>	<u>388,798</u>	<u>(4,794,205)</u>
Total capital assets being depreciated, net	<u>4,257,740</u>	<u>65,976</u>	<u>(176)</u>	<u>4,323,540</u>
Solid waste fund capital assets, net	<u>\$ 5,402,793</u>	<u>65,976</u>	<u>(176)</u>	<u>5,468,593</u>

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Stormwater Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated				
Land	\$ 234,866	-	-	234,866
Construction in progress	3,588,903	1,688,533	(1,062,324)	4,215,112
Total capital assets not being depreciated	<u>3,823,769</u>	<u>1,688,533</u>	<u>(1,062,324)</u>	<u>4,449,978</u>
Capital assets being depreciated				
Infrastructure	26,883,796	2,544,698	-	29,428,494
Equipment	698,947	414,627	-	1,113,574
Total capital assets being depreciated	<u>27,582,743</u>	<u>2,959,325</u>	<u>-</u>	<u>30,542,068</u>
Less accumulated depreciation for				
Infrastructure	(13,569,101)	(1,482,720)	-	(15,051,821)
Equipment	(335,791)	(97,674)	-	(433,465)
Total accumulated depreciation	<u>(13,904,892)</u>	<u>(1,580,394)</u>	<u>-</u>	<u>(15,485,286)</u>
Total capital assets being depreciated, net	<u>13,677,851</u>	<u>1,378,931</u>	<u>-</u>	<u>15,056,782</u>
Stormwater fund capital assets, net	<u>\$ 17,501,620</u>	<u>3,067,464</u>	<u>(1,062,324)</u>	<u>19,506,760</u>
Nonmajor Funds	Balance October 1	Additions	Transfers/ Retirements	Balance September 30
Capital assets not being depreciated:				
Construction in progress	\$ 1,780,784	152,316	(1,780,784)	152,316
Total capital assets not being depreciated	<u>1,780,784</u>	<u>152,316</u>	<u>(1,780,784)</u>	<u>152,316</u>
Capital assets being depreciated				
Buildings and utility plants	1,915,174	-	-	1,915,174
Improvements other than buildings	6,951,340	712,978	1,780,784	9,445,102
Equipment	1,622,014	82,333	(45,048)	1,659,299
Total capital assets being depreciated	<u>10,488,528</u>	<u>795,311</u>	<u>1,735,736</u>	<u>13,019,575</u>
Less accumulated depreciation for				
Buildings	(1,538,590)	(55,662)	-	(1,594,252)
Improvements other than buildings	(6,589,269)	(341,523)	-	(6,930,792)
Equipment	(1,163,489)	(131,906)	45,048	(1,250,347)
Total accumulated depreciation	<u>(9,291,348)</u>	<u>(529,091)</u>	<u>45,048</u>	<u>(9,775,391)</u>
Total capital assets being depreciated, net	<u>1,197,180</u>	<u>266,220</u>	<u>1,780,784</u>	<u>3,244,184</u>
Nonmajor fund capital assets, net	<u>\$ 2,977,964</u>	<u>418,536</u>	<u>-</u>	<u>3,396,500</u>
Total business-type capital assets, net	<u>\$ 118,784,472</u>	<u>8,106,993</u>	<u>(1,062,794)</u>	<u>125,828,671</u>

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

Business-type activities	
Water and sewer	\$ 6,413,195
Solid waste	595,503
Stormwater	1,580,394
Other	<u>529,091</u>
Total depreciation expense, business-type activities	<u>\$ 9,118,183</u>

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Notes to Financial Statements
September 30, 2016

E. Interfund Transactions

Advances from/to other funds are as follows:

	<u>Advances Receivable</u>	<u>Advances Payable</u>
Governmental activities		
Major funds		
General Fund	\$ 13,861	-
Capital Projects Fund	13,861	-
Nonmajor Fund		
East Naples Bay District	-	55,444
Business-type activities		
Major funds		
Water and Sewer Fund	13,861	229,715
Stormwater Fund	243,576	-
	<u>\$ 285,159</u>	<u>285,159</u>

Advances to the East Naples Bay District represent funds used to construct certain infrastructure and dredging improvements and will be repaid according to set schedules. Advances to the Water and Sewer Fund represent debt service payments and will be repaid over the life of the loan.

Transfers during the year consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities		
Major funds		
General Fund	\$ 2,067,600	827,450
Debt Service Fund	963,389	3,000,000
Capital Projects Fund	3,333,138	-
Community Redevelopment Fund	540,572	963,389
Streets and Traffic Fund	450,000	-
Nonmajor funds	-	543,760
Business-type activities		
Major funds		
Water and Sewer Fund	-	1,722,000
Solid Waste Fund	-	345,600
Nonmajor fund		
Tennis Fund	47,500	-
	<u>\$ 7,402,199</u>	<u>7,402,199</u>

Transfers into the General Fund in the amount of \$2,067,600 were payments in-lieu of taxes from the Water and Sewer Fund and Solid Waste Fund. The transfer into the Debt Service Fund from the Community Redevelopment Fund in the amount of \$963,389 was for debt service payments. The transfer into the Capital Projects Fund included utility tax revenues from the Debt Service Fund in the amount of \$3,000,000 used for capital expenditures. The transfer from the General Fund into the Tennis Fund in the amount of \$47,500 was to help defer costs when members could not use the

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Notes to Financial Statements
September 30, 2016

facility due to tournaments and public events. Transfers into the Community Redevelopment Fund and Streets and Traffic Fund in the amounts of \$540,572 and \$450,000 were used for capital expenditures.

F. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2016, 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	\$ 1,207,718	812,740	2,020,458
Capital Projects Fund	557,804	-	557,804
Community Redevelopment Fund	47,534	20,036	67,570
Streets and Traffic Fund	454,461	17,371	471,832
Nonmajor funds	576,938	116,096	693,034
Internal Service Fund	256,346	52,390	308,736
	<u>\$ 3,100,801</u>	<u>1,018,633</u>	<u>4,119,434</u>
Business-type activities			
Major funds			
Water and Sewer Fund	\$ 2,084,306	312,523	2,396,829
Solid Waste Fund	175,835	66,289	242,124
Stormwater Fund	1,619,376	41,646	1,661,022
Nonmajor funds	104,054	46,405	150,459
	<u>\$ 3,983,571</u>	<u>466,863</u>	<u>4,450,434</u>

G. Long-Term Obligations

Long-term liabilities of the governmental activities at September 30, 2016, are comprised of the following:

Capital Improvement Refunding Revenue Note, Series 2013, issued in the amount of \$13,830,000 (total note was \$14,000,000) to currently refund the outstanding principal amount of the Capital Improvement Refunding Revenue Note, Series 2010; monthly principal and interest payments range from \$137,340 to \$156,096 through December 1, 2021. Non-ad valorem revenues are pledged to secure this issue. Interest rate is 1.42%.	\$ 8,552,000
Claims payable	3,790,329
Net pension liability	41,146,585
Other post-employment benefits payable	2,205,609
Compensated absences payable	2,619,483
	<u>\$ 58,314,006</u>

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Notes to Financial Statements
September 30, 2016

Changes in long-term obligations for governmental activities for the year ended September 30, 2016, are as follows:

<u>Governmental Activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30</u>	<u>Due in One Year</u>
Debt payable					
2013 Capital Improvement Refunding Revenue Note	\$ 10,068,000	-	(1,516,000)	8,552,000	1,566,000
Total debt payable	10,068,000	-	(1,516,000)	8,552,000	1,566,000
Claims payable	3,823,330	7,073,513	(7,106,514)	3,790,329	1,066,329
Net pension liability	34,427,585	15,236,858	(8,517,858)	41,146,585	-
Other post-employment benefits payable	1,888,337	475,308	(158,036)	2,205,609	-
Compensated absences payable	2,587,248	1,389,315	(1,357,080)	2,619,483	392,923
Total	<u>\$ 52,794,500</u>	<u>24,174,994</u>	<u>(18,655,488)</u>	<u>58,314,006</u>	<u>3,025,252</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 \$144,740 in compensated absences, \$3,790,329 in claims payable, \$124,240 in other post-employment benefits, and \$508,619 in Net Pension Liability reported in the internal service funds are included in the above amounts and will be liquidated by the internal service funds. The remaining compensated absences balances are made up by the following funds: General Fund \$2,170,896, Building and Zoning Fund \$139,700, Community Redevelopment Fund \$24,452, Streets and Traffic Fund \$139,695. These funds will be used to liquidate the compensated absences liability. The remaining other post-employment benefits payable and net pension liability will generally be liquidated by the General Fund.

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

Governmental Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended September 30			
2017	\$ 1,566,000	111,230	1,677,230
2018	1,590,000	88,836	1,678,836
2019	1,595,000	66,250	1,661,250
2020	1,625,000	43,386	1,668,386
2021	1,730,000	19,824	1,749,824
2022	446,000	1,061	447,061
	<u>\$ 8,552,000</u>	<u>330,587</u>	<u>8,882,587</u>

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Long-term liabilities of the business-type activities at September 30, 2016, 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.	\$ 6,240,000
Public Utilities Refunding Revenue Bond, Series 2012B, issued in the amount of \$4,835,000 to currently refund the outstanding principal amount of the City's Public Utilities Revenue Bond, Series 2007B. Bonds mature annually on September 1, with final maturity on September 1, 2027. Interest is payable semi-annually on March 1 and September 1, at a fixed rate of 2.54%. The principal and interest is secured by the net revenue of the water and sewer system and from the investment of monies in various funds established by Ordinance.	3,617,000
Public Utilities Refunding Revenue Bond, Series 2013 issued in the amount of \$10,300,503 (total bond issue was \$12,225,534) to currently refund the outstanding principal amount of State of Florida Revolving Loan Funds; monthly principal and interest payments range from \$10,264 to \$233,804, with final maturity on October 1, 2021; secured by net revenues of the water/sewer utility system; interest rate of 1.34%.	4,152,518
Special Assessment Revenue Bond, Series 2015 issued in the amount of \$650,000 to currently fund the Bembury Project; semi-annual principal and interest payments are \$73,882, with final maturity on July 1, 2025; secured by special assessment revenues of the water/sewer utility system; interest rate of 2.35%.	593,091
Net pension liability	2,681,555
Other post-employment benefits payable	687,596
Compensated absences payable	591,578
Total water and sewer fund	<u>\$ 18,563,338</u>

Solid Waste Fund

Net pension liability	\$ 638,857
Other post-employment benefits payable	168,026
Compensated absences payable	141,705
Total solid waste fund	<u>\$ 948,588</u>

Stormwater Fund

Public Utilities Refunding Revenue Bond, Series 2013 issued in the amount of \$1,925,031 (total bond issue was \$12,225,534) to currently refund the outstanding principal amount of State of Florida Revolving Loan Funds; monthly principal and interest payments range from \$1,918 to \$43,695 with final maturity on October 1, 2021; secured by net revenues of the stormwater utility system; interest rate is 1.34%.	\$ 1,159,674
Net pension liability	389,346
Other post-employment benefits payable	62,575
Compensated absences payable	56,590
Total stormwater fund	<u>\$ 1,668,185</u>

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Notes to Financial Statements
September 30, 2016

Nonmajor funds

Net pension liability	\$ 434,588
Other post-employment benefits payable	89,110
Compensated absences payable	76,945
Total nonmajor funds	<u>\$ 600,643</u>

Changes in long-term obligations for business-type activities for the year ended September 30, 2016, are as follows:

<u>Business-Type Activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30</u>	<u>Due in One Year</u>
Debt payable					
Public Utilities Refunding Revenue Bond, Series 2012A	\$ 6,723,000	-	(483,000)	6,240,000	496,000
Public Utilities Refunding Revenue Bond, Series 2012B	3,899,000	-	(282,000)	3,617,000	289,000
Public Utilities Refunding Revenue Bond, Series 2013	7,323,237	-	(2,011,045)	5,312,192	2,037,972
2013 Capital Improvement Refunding Revenue Note	20,000	-	(20,000)	-	-
Special Assessment Revenue Bond, Series 2015	650,000	-	(56,909)	593,091	59,944
Total debt payable	<u>18,615,237</u>	<u>-</u>	<u>(2,852,954)</u>	<u>15,762,283</u>	<u>2,882,916</u>
Net pension liability	3,063,402	2,027,869	(946,925)	4,144,346	-
Other post-employment benefits payable	858,264	221,219	(72,176)	1,007,307	-
Compensated absences payable	877,489	513,803	(524,474)	866,818	203,000
Total	<u>\$ 23,414,392</u>	<u>2,762,891</u>	<u>(4,396,529)</u>	<u>21,780,754</u>	<u>3,085,916</u>

In accordance with bond covenants and Section 148 of the Internal Revenue Code, the City is required to rebate to the U.S. Treasury, every five years, arbitrage earnings on bond proceeds in excess of the bond yield. For the fiscal year ending September 30, 2016, no amounts were earned that will have to be rebated.

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

Water and Sewer Fund

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended September 30			
2017	\$ 2,657,203	315,678	2,972,881
2018	2,707,867	264,569	2,972,436
2019	1,031,080	232,638	1,263,718
2020	1,056,473	207,677	1,264,150
2021	1,081,892	182,080	1,263,972
2022-2026	5,052,094	523,828	5,575,922
2027	1,016,000	26,515	1,042,515
	<u>\$ 14,602,609</u>	<u>1,752,985</u>	<u>16,355,594</u>

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

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Stormwater Fund

Year ended September 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 225,713	14,158	239,871
2018	228,806	11,114	239,920
2019	231,891	8,030	239,921
2020	235,033	4,903	239,936
2021	238,231	1,332	239,563
	<u>\$ 1,159,674</u>	<u>39,537</u>	<u>1,199,211</u>

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

Net interest cost (interest cost less the interest earned on the investment of unexpended debt proceeds) is capitalized in the proprietary funds on construction projects financed with long-term debt. Interest cost is not capitalized on projects financed by government grants or third-party donations. Interest cost is not capitalized on assets in the governmental activities. Interest was not capitalized during the year ended September 30, 2016.

H. Fund Equity

The following is a summary of fund balances that were nonspendable, restricted, committed or assigned as of September 30, 2016:

	<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	\$ -	-	-	-	24,663	-	24,663
Prepaid items	20,079	-	-	-	-	-	20,079
Advances to other funds	13,861	-	13,861	-	-	-	27,722
	<u>33,940</u>	<u>-</u>	<u>13,861</u>	<u>-</u>	<u>24,663</u>	<u>-</u>	<u>72,464</u>
Restricted							
Donations, various	-	-	-	-	-	8,574,305	8,574,305
Capital projects - impact fees	-	-	-	-	-	882,372	882,372
Dredging projects	-	-	-	-	-	240,588	240,588
Transportation	-	-	-	-	2,523,418	-	2,523,418
Police programs	-	-	-	-	-	458,177	458,177
Economic development	-	-	-	3,430,898	-	-	3,430,898
Coral reef construction	-	-	-	-	-	7,188	7,188
Building and zoning operations	-	-	-	-	-	5,245,871	5,245,871
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,430,898</u>	<u>2,523,418</u>	<u>15,408,501</u>	<u>21,362,817</u>
Committed							
Public arts program	-	-	-	-	-	126,778	126,778
Emergency reserve	3,443,052	-	-	-	-	-	3,443,052
Capital projects	-	-	772,090	-	-	-	772,090
Contracts	-	-	697,367	-	-	-	697,367
Handicap accessibility	64,227	-	-	-	-	-	64,227
Economic development	-	-	-	-	-	223,883	223,883
Land conservation	-	-	-	-	-	9,210	9,210
Dredging projects	-	-	-	-	-	1,172,040	1,172,040
	<u>3,507,279</u>	<u>-</u>	<u>1,469,457</u>	<u>-</u>	<u>-</u>	<u>1,531,911</u>	<u>6,508,647</u>
Assigned							
Debt service	-	1,096,688	-	-	-	-	1,096,688
Encumbrances	41,363	-	-	-	-	-	41,363
Economic development	-	-	-	-	-	74,852	74,852
Capital projects	-	-	4,126,279	-	-	-	4,126,279
	<u>41,363</u>	<u>1,096,688</u>	<u>4,126,279</u>	<u>-</u>	<u>-</u>	<u>74,852</u>	<u>5,339,182</u>
Unassigned	16,356,280	-	-	-	-	-	16,356,280
Total fund balance	<u>\$ 19,938,862</u>	<u>1,096,688</u>	<u>5,609,597</u>	<u>3,430,898</u>	<u>2,548,081</u>	<u>17,015,264</u>	<u>49,639,390</u>

THE CITY OF NAPLES, FLORIDA

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I. Employee Pension Plans

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

General Pension Plan (the “Plan”)

The Plan provides benefits for all full-time American Federation of State and Municipal Employees (AFSME) Union, Government Supervisor Association of Florida Office and Professional Employees International Union (OPEIU), and non-bargaining employees of the City. All retirement plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 12-13142 which reinstated benefits for certain members previously reduced by the provisions of Ordinance 11-12951. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity’s financial report.

The current membership as of October 1, 2015, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	243
Vested terminated employees	53
Active employees	302

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

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

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
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As of September 30, 2016, there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net position available for benefits. As of September 30, 2016, there was no investment type or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

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

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

Plan Disclosures

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plans. The information disclosed below is presented in accordance with this new standard. The Plans do not issue separate financial statements.

Net Pension Liability of the City

The City’s net pension liability was measured as of September 30, 2015. The components of the net pension liability of the City at September 30, 2016, were as follows:

Total pension liability	\$ 63,587,582
Plan fiduciary net position	<u>(49,878,199)</u>
City's net pension liability	<u>\$ 13,709,383</u>
Plan fiduciary net position as a percentage of Total pension liability	78.44%

For the year ended September 30, 2016, the City recognized pension expense of \$3,963,529 for the general employee plan. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows related to its plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ -
Differences between expected and actual experience	378,097	-
Net difference between projected and actual earnings on investments	1,248,071	-
City pension plan contributions subsequent to the measurement date	1,970,406	-
Total	<u>\$ 3,596,574</u>	<u>\$ -</u>

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Notes to Financial Statements
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The deferred outflows of resources related to the Pension Plan, totaling \$1,970,406 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plans will be recognized in pension expense as follows:

Year ended September 30,	
2017	\$ 317,908
2018	317,908
2019	317,908
2020	672,444
2021	-
Total	<u>\$1,626,168</u>

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

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2014, updated to September 30, 2016, using the following actuarial assumptions applied to all measurement periods.

Inflation	3.0%
Salary increases	4.0% to 6.0%
Investment rate of return	7.5 %

RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.39%
International Equity	7.51%
Fixed Income	2.32%
Real Estate	5.09%
Hedge Funds	2.87%

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City. The changes in components of the net pension liability to the City for the year ended September 30, 2016, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2015	\$ 61,384,920	\$51,251,270	\$ 10,133,650
Changes for the year:			
Service cost	1,500,184		1,500,184
Interest	4,553,080		4,553,080
Changes in Excess State Money	-		-
Differences between expected and actual experience	504,129		504,129
Amortization of Experience Diffs			-
Assumption Changes	-		-
Amortization of Assumption Changes			-
Contributions—employer		2,023,395	(2,023,395)
Contributions—state		-	-
Contributions subsequent to plan year			-
Contributions—employee		694,975	(694,975)
Net investment income	-	414,031	(414,031)
Amortization of Investment Earnings Differences		-	-
Benefit payments, including refunds of employee contributions	(4,354,731)	(4,354,731)	-
Administrative expense		(150,741)	150,741
Other changes		-	-
Net changes	2,202,662	(1,373,071)	3,575,733
Balances at 9/30/16	\$ 63,587,582	\$49,878,199	\$ 13,709,383

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	Current		
	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
City's net pension liability	\$ 19,855,440	\$ 13,709,383	\$ 8,457,477

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Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as October 1, 2014.

The assumptions used in the October 1, 2015, actuarial valuation are as follows.

Actuarial Assumptions

Funding Method	Entry Age Actuarial Cost Method.
Amortization Method	Level Percentage of Pay, closed
Remaining Amortization Period	30 years
Actuarial Asset Valuation Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation	3.00%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.50% to 10.0% based on service

There have been no plan changes since the prior actuarial valuation. Actuarial assumption/method changes since prior actuarial valuation include the following:

- Mortality rates are based on the RP 2000 Sex-Distinct Healthy Mortality Table, projected to October 1, 2016, using Scale AA. The prior valuation projected rates to October 1, 2014, using Scale AA.
- In conjunction with this valuation, the Board approved modifying the individual salary increase assumption to 6.0% for one to two years of service, 5.5% for three through nine years of service, 5.0% for 10-19 years of service, and 4% for greater than 20 years of service.

Police Officers' Pension Plan (the "Plan")

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

The current membership as of October 1, 2015, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	67
Vested terminated employees	15
DROP employees	12
Active employees	58

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Notes to Financial Statements
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Benefits are determined by category and length of service as follows:

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

The Plan also provides disability and survivors' benefits.

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

As of September 30, 2016, there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net position available for benefits. As of September 30, 2016, 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 \$610,146. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

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Plan Disclosures

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plans. The information disclosed below is presented in accordance with this new standard. The Plans do not issue separate financial statements.

Net Pension Liability of the City

The City’s net pension liability was measured as of September 30, 2015. The components of the net pension liability of the City at September 30, 2016, were as follows:

Total pension liability	\$ 61,555,656
Plan fiduciary net position	<u>(42,513,922)</u>
City's net pension liability	<u>\$ 19,041,734</u>
Plan fiduciary net position as a percentage of Total pension liability	69.07%

For the year ended September 30, 2016, the City recognized pension expense of \$3,583,893 for the police employee plan. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows related to its plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ -
Differences between expected and actual experience	-	573,966
Net difference between projected and actual earnings on investments	1,093,867	-
City pension plan contributions subsequent to the measurement date	<u>2,595,849</u>	<u>-</u>
Total	<u>\$ 3,689,716</u>	<u>\$ 573,966</u>

The deferred outflows of resources related to the Pension Plan, totaling \$2,595,849 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plans will be recognized in pension expense as follows:

Year ended September 30,	
2017	\$ (111,836)
2018	(111,836)
2019	175,145
2020	568,428
2021	<u>-</u>
Total	<u>\$ 519,901</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

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

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2014, updated to September 30, 2016, using the following actuarial assumptions applied to all measurement periods.

Inflation	3.0%
Salary increases	4.0% to 6.0%
Investment rate of return	7.5 %

RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.39%
International Equity	7.51%
Fixed Income	2.32%
Real Estate	5.09%
Hedge Funds	2.87%

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

Changes in the Net Pension Liability of the City. The changes in components of the net pension liability to the City for the year ended September 30, 2016, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2015	\$ 59,661,030	\$42,480,003	\$ 17,181,027
Changes for the year:			
Service cost	1,007,847		1,007,847
Interest	4,448,873		4,448,873
Changes in Excess State Money	-		-
Differences between expected and actual experience	(860,949)		(860,949)
Amortization of Experience Diff			
Assumption Changes	-		-
Amortization of Assumption Changes			
Contributions—employer		1,737,998	(1,737,998)
Contributions—state		551,656	(551,656)
Contributions subsequent to plan year			
Contributions—employee		211,290	(211,290)
Net investment income	-	331,447	(331,447)
Amortization of Investment Earnings			
Differences		-	-
Benefit payments, including refunds of employee contributions	(2,701,145)	(2,701,145)	-
Administrative expense		(97,327)	97,327
Other changes		-	-
Net changes	1,894,626	33,919	1,860,707
Balances at 9/30/16	<u>\$ 61,555,656</u>	<u>\$42,513,922</u>	<u>\$ 19,041,734</u>

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's net pension liability	\$ 25,832,847	\$ 19,041,734	\$ 13,361,964

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as October 1, 2014.

The assumptions used in the October 1, 2015, actuarial valuation are as follows.

Actuarial Assumptions

Funding Method	Entry Age Actuarial Cost Method.
Amortization Method	Level Percentage of Pay, closed
Remaining Amortization Period	30 years
Actuarial Asset Valuation Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation	3.00%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.50% to 10.0% based on service

There have been no plan changes since the prior actuarial valuation. Actuarial assumption/method changes since prior actuarial valuation include the following:

- Mortality rates are based on the RP 2000 Sex-Distinct Healthy Mortality Table, projected to October 1, 2015, using Scale AA. The prior valuation projected rates to October 1, 2014, using Scale AA.
- The payroll growth assumption, utilized for purposes of amortizing the Unfunded Actuarial Accrued Liability, was lowered from 2.7% to 1.2% per year. This reduction complies with the requirements of Part VII of Chapter 112, Florida Statutes, whereby the use of a payroll growth assumption is limited to the Plan's actual ten-year payroll growth average, determined as of the valuation date.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

Firefighters' Pension Plan (the "Plan")

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

The current membership as of October 1, 2015, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	39
Vested terminated employees	5
DROP employees	9
Active employees	47

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

<u>Benefits</u>	<u>Vesting</u>
Normal retirement at age 55 with 5 years of credited service, age 50 with 20 years of credited service, or the completion of 25 years of credited service regardless of age. For members hired after May 31, 2013, the normal retirement date is the earlier of age 55 with 8 years of credited service, or the completion of 25 years of credited service, regardless of age. Benefits are 4% of average final compensation (AFC) times years of service for each year prior to May 31, 2013, plus 3% of AFC times years of service for each year of credited service after May 31, 2013. The early retirement benefit is reduced 3% for each year prior to age 55 or the completion of 20 years of credited service for members hired prior to May 31, 2013, and for all other members early retirement is reduced for each year early retirement precedes the earlier of age 55 and 8 years of credited service, or the completion of 25 years of credited of service, regardless of age.	100% after 5 years of credited service for members hired prior to May 31, 2013, and 100% after 8 years of credited service for members hired after May 31, 2013; 0% prior to that.

The Plan also provides disability and survivors' benefits.

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

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Notes to Financial Statements
September 30, 2016

As of September 30, 2016, there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net position available for benefits. As of September 30, 2016, there were no investment types or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

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

The Plan's funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis or 3% for employees hired after May 31, 2014. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from Plan assets. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Firefighters' Pension Plan for the year ended September 30, 2016, was \$581,196. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

Plan Disclosures

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plans. The information disclosed below is presented in accordance with this new standard. The Plans do not issue separate financial statements.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2014. The components of the net pension liability of the City at September 30, 2016, were as follows:

Total pension liability	\$57,525,965
Plan fiduciary net position	(44,986,151)
City's net pension liability	<u>\$12,539,814</u>
Plan fiduciary net position as a percentage of Total pension liability	78.20%

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Notes to Financial Statements
September 30, 2016

For the year ended September 30, 2016, the City recognized pension expense of \$3,280,284 for the firefighters employee plan. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows related to its plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ -
Differences between expected and actual experience	-	205,861
Net difference between projected and actual earnings on investments	1,190,853	-
City pension plan contributions subsequent to the measurement date	<u>2,154,501</u>	<u>-</u>
Total	<u>\$ 3,345,354</u>	<u>\$ 205,861</u>

The deferred outflows of resources related to the Pension Plan, totaling \$2,154,501 resulting from City contributions to the plans subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plans will be recognized in pension expense as follows:

Year ended September 30,	
2017	\$ 154,864
2018	154,864
2019	154,864
2020	561,573
2021	<u>(41,173)</u>
Total	<u>\$ 984,992</u>

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

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2014, updated to September 30, 2016, using the following actuarial assumptions applied to all measurement periods.

Inflation	3.0%
Salary increases	4.0% to 6.0%
Investment rate of return	7.5 %

RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements September 30, 2016

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.39%
International Equity	7.51%
Fixed Income	2.32%
Real Estate	5.09%
Hedge Funds	2.87%

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

Changes in the Net Pension Liability of the City. The changes in components of the net pension liability to the City for the year ended September 30, 2016, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2015	\$ 54,892,212	\$44,715,902	\$ 10,176,310
Changes for the year:			
Service cost	842,047		842,047
Interest	4,102,672		4,102,672
Changes in Excess State Money	-		-
Differences between expected and actual experience	(247,033)		(247,033)
Amortization of Experience Diff			-
Assumption Changes	-		-
Amortization of Assumption Changes			-
Contributions—employer		1,180,670	(1,180,670)
Contributions—state		721,101	(721,101)
Contributions subsequent to plan year			-
Contributions—employee		153,807	(153,807)
Net investment income	-	336,431	(336,431)
Amortization of Investment Earnings Differences		-	-
Benefit payments, including refunds of employee contributions	(2,063,933)	(2,063,933)	-
Administrative expense		(57,827)	57,827
Other changes		-	-
Net changes	2,633,753	270,249	2,363,504
Balances at 9/30/16	\$ 57,525,965	\$44,986,151	\$ 12,539,814

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	Current		
	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
City's net pension liability	\$ 20,009,671	\$ 12,539,814	\$ 6,409,358

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as October 1, 2014.

The assumptions used in the October 1, 2015, actuarial valuation are as follows.

Actuarial Assumptions

Funding Method	Entry Age Actuarial Cost Method.
Amortization Method	Level Percentage of Pay, closed
Remaining Amortization Period	30 years
Actuarial Asset Valuation Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation	3.00%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.50% to 10.0% based on service

There have been no plan changes since the prior actuarial valuation. Actuarial assumption/method changes since prior actuarial valuation include the following:

- Mortality rates are based on the RP 2000 Sex-Distinct Health Mortality Table, projected to October 1, 2015, using Scale AA. The prior valuation projected rates to October 1, 2013, using Scale AA.
- In conjunction with this valuation, the Board approved modifying the individual salary increase assumption to 6.0% for one to two years of service, 5.5% for three through nine years of service, 5.0% for 10-19 years of service, and 4% for greater than 20 years of service.

The “share plan” supplemental retirement benefit, effective October 1, 2009, created an individual share account for each active firefighter as of that date. This supplemental benefit is funded solely by the premium tax revenues received by the City. The initial amount allocated to the active members’ share accounts was \$663,717. For all years beginning on and after October 1, 2009, all premium tax revenues received by the City in excess of \$1,668,662 are allocated to the members’ individual share accounts. Effective January 1, 2011, and each January following, the individual share accounts for each active firefighter is credited or debited with earnings or losses at a rate equal to the Plan’s actual net rate of investment return for the preceding Plan year. A firefighter must attain 5 complete years of credited service to be entitled to receive a distribution of their accumulated account. At September 30, 2016, there was \$783,232 in the share plan.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

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

	General Employees Pension Plan	Police Officers' Pension Plan	Firefighters' Pension Plan	Totals
Net Pension Liability	\$ 13,709,383	19,041,734	12,539,814	45,290,931
Deferred Outflows	3,596,574	3,689,716	3,345,354	10,631,644
Deferred Inflows	-	573,966	205,861	779,827
Pension Expense	3,963,529	3,583,893	3,280,284	10,827,706

Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position for the City's defined benefit pension plans are as follows, as of and for the year ended September 30, 2016:

Statements of Fiduciary Net Position

	General Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund
Assets			
Cash and investments	\$ 1,727,947	2,164,040	2,064,529
Contributions receivable	136,543	41,081	595,585
Investments, at fair value	49,131,334	42,858,433	45,388,620
Total assets	<u>50,995,824</u>	<u>45,063,554</u>	<u>48,048,734</u>
Liabilities			
Accounts payable	8,801	6,561	19,849
Total liabilities	<u>8,801</u>	<u>6,561</u>	<u>19,849</u>
Net position			
Restricted for pension benefits	<u>\$ 50,987,023</u>	<u>45,056,993</u>	<u>48,028,885</u>

Statements of Changes in Fiduciary Net Position

	General Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund
Additions			
Contributions			
Employee contributions	\$ 711,740	210,895	171,558
Employer contributions	1,970,406	1,985,703	1,573,305
Direct state contributions	-	610,146	581,196
Total contributions	<u>2,682,146</u>	<u>2,806,744</u>	<u>2,326,059</u>
Investment earnings			
Interest and dividend income	1,091,623	939,298	974,966
Net change in fair value of investments	2,175,640	2,022,463	2,212,732
Less investment expense	<u>(272,302)</u>	<u>(237,609)</u>	<u>(245,793)</u>
Net investment earnings	<u>2,994,961</u>	<u>2,724,152</u>	<u>2,941,905</u>
Total additions	<u>5,677,107</u>	<u>5,530,896</u>	<u>5,267,964</u>
Deductions			
Benefits paid	3,688,779	2,878,450	2,108,723
Refunds of contributions	719,090	10,930	36,034
General administration	160,414	98,445	80,473
Total deductions	<u>4,568,283</u>	<u>2,987,825</u>	<u>2,225,230</u>
Changes in net position	1,108,824	2,543,071	3,042,734
Net position, beginning of year	<u>49,878,199</u>	<u>42,513,922</u>	<u>44,986,151</u>
Net position, end of year	<u>\$ 50,987,023</u>	<u>45,056,993</u>	<u>48,028,885</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

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

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

The plan, which started on April 1, 1995, has a plan year date of April 1. Employee contributions vest immediately and employer contributions vest as follows:

Employer Contributions

25% - Year 1
50% - Year 2
100% - Year 3

The 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, 2016, there were 183 active Plan members. Covered payroll for the year ended September 30, 2016, was \$10,866,825. City contributions for the year were \$217,328, and employee contributions were \$325,998, excluding rollovers. Contributions and earnings are returned to participants upon retirement or termination.

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

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

Managers' Retirement Savings Plan (the "Plan")

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

Employee and employer contributions are 100% vested immediately.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements September 30, 2016

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, 2016, there were eight active Plan members and four retired and terminated members who have maintained account balances. Covered payroll for the year ended September 30, 2016, was \$938,954. City contributions for the year were \$50,752, and employee contributions were \$71,950.

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

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

Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position for the City's defined contribution pension plans are as follows, as of and for the year ended September 30, 2016:

Statements of Fiduciary Net Position

	Supplemental General Pension	Managers' 401 Pension
Assets		
Contributions receivable	\$ 21,131	5,061
Investments, at fair value	7,704,471	1,510,965
Total assets	<u>7,725,602</u>	<u>1,516,026</u>
Net position		
Restricted for pension benefits	<u>\$ 7,725,602</u>	<u>1,516,026</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

Statements of Changes in Fiduciary Net Position

	<u>Supplemental General Pension</u>	<u>Managers' 401 Pension</u>
Additions		
Contributions		
Employee contributions	\$ 466,420	71,950
Employer contributions	217,328	50,752
Total contributions	<u>683,748</u>	<u>122,702</u>
Investment earnings		
Interest and dividend income	172,823	11,744
Net change in fair value of investments	414,214	108,830
Less investment expense	<u>(22,931)</u>	<u>(1,285)</u>
Net investment earnings	<u>564,106</u>	<u>119,289</u>
Total additions	<u>1,247,854</u>	<u>241,991</u>
Deductions		
Refunds of contributions	<u>578,043</u>	714
Total deductions	<u>578,043</u>	714
Changes in net position	669,811	241,277
Net position, beginning of year	<u>7,055,791</u>	<u>1,274,749</u>
Net position, end of year	\$ <u>7,725,602</u>	<u>1,516,026</u>

K. Other Post-Employment Benefits

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

As of October 1, 2015, the date of the most recent actuarial valuation, there were 26 retirees and eligible dependents receiving post-employment health care benefits along with 51 retirees participating in life insurance benefits.

Funding Policy. Contribution requirements for the Plan of the City are established and may be amended through recommendations of the Insurance Committee and action from the City Council. The City has not advance-funded or established a funding methodology for the annual Other Post-employment Benefit (OPEB) costs or the net OPEB obligation. For the 2015-2016 fiscal year the City provided required contributions of \$516,321 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 \$266,855. Required contributions are based on a projected pay-as-you-go basis.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

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

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Normal cost	\$ 426,309	\$ 482,088	\$ 462,568
Amortization of unfunded actuarial accrued liability	293,505	421,964	405,735
Annual required contribution	719,814	904,052	868,303
Interest on Net OPEB obligation	96,131	84,951	64,437
Adjustment to annual required contribution	(119,417)	(88,490)	(64,437)
Total expense or annual OPEB cost	696,528	900,513	868,303
Actual contribution toward OPEB cost	(230,213)	(277,663)	(355,467)
Increase in net OPEB obligation	466,315	622,850	512,836
Net OPEB obligation, beginning of year	2,746,601	2,123,751	1,610,915
Net OPEB obligation, end of year	<u>\$ 3,212,916</u>	<u>\$ 2,746,601</u>	<u>\$ 2,123,751</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of September 30, 2016, was as follows:

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>% of AOC Contributed</u>	<u>Net OPEB Obligation</u>
09/30/16	\$ 696,528	33.05%	3,212,916
09/30/15	900,513	30.83%	2,746,601
09/30/14	868,303	40.94%	2,123,751

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

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 2015-2016 fiscal year used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. The amortization method is a level percentage, closed with a 26 year remaining amortization period. Although the OPEB liability is currently unfunded, the actuarial assumptions included a 4.0% rate of return on invested assets (including inflation at 3%), which is the City's long-term expectation of investment returns under its investment policy. The actuarial assumptions included projected salary increases ranging from 4.5% to 10% per year (including inflation at 3%), and a 4% payroll growth assumption. The initial trend rate was 5% for the first year, 8% for the second year, and 5.35% for the ultimate trend rate.

L. Contingencies

1. Litigation

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

2. Federal and State Assistance Programs

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

3. Self-insurance Funds

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

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

Property damage	\$ 25,000
Third party liability	200,000
Excess workers' compensation	350,000
Blanket bond and money and securities	25,000
Employee medical	125,000
Aggregate losses	2,000,000

The liability for unpaid claims is estimated based upon historical actual results adjusted for current economic trends. The estimated claims liability for all self-insured risks are reported as claims payable in the Risk Management Fund and Health Benefits Fund which include an estimate for incurred but not reported claims. In addition, reimbursements from excess loss reinsurers are netted against claims expenses, as applicable, in the Risk Management and Health Benefits Internal Service funds. During the current year, \$126,477 and \$247,082 of excess loss reimbursements were recorded in the Risk Management Fund and Health Benefits Fund, respectively.

Estimated liabilities for unpaid claims are based on estimates of pending claims and claims incurred but not reported at September 30, 2016. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2016, \$3,790,329 was accrued for estimated self-insurance claims. For the past three fiscal years, the City's insurance settlements have not exceeded the insurance coverage and there were no significant reductions in insurance coverage from the previous year.

A reconciliation of estimated claims liabilities is as follows:

	Risk Management	Health Benefits	Total
Balance September 30, 2014	\$ 3,154,000	427,403	3,581,403
Current year claims incurred and change in estimates	2,664,610	4,495,927	7,160,537
Claim payments	<u>(2,462,610)</u>	<u>(4,456,000)</u>	<u>(6,918,610)</u>
Balance September 30, 2015	3,356,000	467,330	3,823,330
Current year claims incurred and change in estimates	2,482,222	4,591,291	7,073,513
Claim payments	<u>(2,433,222)</u>	<u>(4,673,292)</u>	<u>(7,106,514)</u>
Balance September 30, 2016	<u>\$ 3,405,000</u>	<u>385,329</u>	<u>3,790,329</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2016

4. Construction Projects

At September 30, 2016, the City had the following commitments:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance</u>
Central Avenue Improvements	\$ 4,557,262	2,231,869	2,325,393
Reclaimed Water Expansion	2,166,624	2,062,132	104,492
Public Works Station Improvements	3,289,450	3,175,205	114,245
Lake Manor Restoration	1,366,800	1,041,116	325,684

M. Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF NAPLES, FLORIDA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual
Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Ad valorem	\$ 19,895,002	19,895,002	20,246,417	351,415
Local communication and business	1,744,550	1,744,550	1,704,548	(40,002)
Insurance premium tax	1,354,027	1,354,027	1,191,342	(162,685)
Permits, fees and assessments	3,559,800	3,559,800	3,522,404	(37,396)
Intergovernmental	3,768,820	3,768,820	4,054,906	286,086
Charges for services	1,747,400	1,668,400	1,928,838	260,438
Charges to other funds	3,179,420	3,179,420	3,179,420	-
Fines and forfeitures	168,500	168,500	333,022	164,522
Interest	75,000	75,000	188,308	113,308
Miscellaneous	15,000	15,000	-	(15,000)
Total revenues	<u>35,507,519</u>	<u>35,428,519</u>	<u>36,349,205</u>	<u>920,686</u>
Expenditures				
Current				
General government				
Mayor and City Council	374,339	374,339	369,881	4,458
City Attorney	551,930	551,930	488,891	63,039
City Clerk	598,136	598,136	594,071	4,065
City Manager	663,110	663,110	629,300	33,810
Human resources	542,662	542,662	532,166	10,496
Planning	428,834	428,834	376,346	52,488
Finance	1,061,383	1,061,383	1,031,157	30,226
Nondepartmental	4,440,562	4,566,799	4,215,202	351,597
Total general government	<u>8,660,956</u>	<u>8,787,193</u>	<u>8,237,014</u>	<u>550,179</u>
Public safety				
Fire	8,998,827	9,388,327	9,314,491	73,836
Police	12,203,609	12,169,361	12,109,575	59,786
Code inspections	360,774	360,774	382,269	(21,495)
Total public safety	<u>21,563,210</u>	<u>21,918,462</u>	<u>21,806,335</u>	<u>112,127</u>
Culture and recreation				
Community services	6,469,071	6,481,869	6,096,202	385,667
Total culture and recreation	<u>6,469,071</u>	<u>6,481,869</u>	<u>6,096,202</u>	<u>385,667</u>

CITY OF NAPLES, FLORIDA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual
Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Capital outlay				
Public safety	\$ 9,200	40,948	31,678	9,270
Culture and recreation	-	36,616	26,723	9,893
Total capital outlay	<u>9,200</u>	<u>77,564</u>	<u>58,401</u>	<u>19,163</u>
 Total expenditures	 <u>36,702,437</u>	 <u>37,265,088</u>	 <u>36,197,952</u>	 <u>1,067,136</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(1,194,918)</u>	 <u>(1,836,569)</u>	 <u>151,253</u>	 <u>1,987,822</u>
 Other financing sources (uses)				
Transfers in	2,096,001	2,096,001	2,067,600	(28,401)
Transfers out	(447,500)	(777,450)	(827,450)	(50,000)
Proceeds from sale of capital assets	4,000	4,000	764	(3,236)
Total other financing sources	<u>1,652,501</u>	<u>1,322,551</u>	<u>1,240,914</u>	<u>(81,637)</u>
 Change in fund balance	 457,583	 (514,018)	 1,392,167	 1,906,185
 Fund balance, beginning of year	 <u>18,546,695</u>	 <u>18,546,695</u>	 <u>18,546,695</u>	 <u>-</u>
Fund balance, end of year	<u>\$ 19,004,278</u>	<u>18,032,677</u>	<u>19,938,862</u>	<u>1,906,185</u>

CITY OF NAPLES, FLORIDA
Community Redevelopment Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Ad valorem	\$ 627,130	627,130	628,592	1,462
Intergovernmental	1,894,450	1,894,450	1,898,827	4,377
Interest	9,000	9,000	34,843	25,843
Miscellaneous	305,572	305,572	32,500	(273,072)
Total revenues	<u>2,836,152</u>	<u>2,836,152</u>	<u>2,594,762</u>	<u>(241,390)</u>
Expenditures				
Current				
Economic development	1,106,012	1,159,788	947,221	212,567
Capital outlay				
Economic development	2,303,000	2,609,340	277,680	2,331,660
Debt service				
Interest	-	-	921	(921)
Total expenditures	<u>3,409,012</u>	<u>3,769,128</u>	<u>1,225,822</u>	<u>2,543,306</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(572,860)</u>	<u>(932,976)</u>	<u>1,368,940</u>	<u>2,301,916</u>
Other financing sources (uses)				
Transfers in	-	235,000	540,572	305,572
Transfers out	(1,006,267)	(1,006,267)	(963,389)	42,878
Total other financing sources (uses)	<u>(1,006,267)</u>	<u>(771,267)</u>	<u>(422,817)</u>	<u>348,450</u>
Change in fund balance	(1,579,127)	(1,704,243)	946,123	2,650,366
Fund balance, beginning of year	2,484,775	2,484,775	2,484,775	-
Fund balance, end of year	<u>\$ 905,648</u>	<u>780,532</u>	<u>3,430,898</u>	<u>2,650,366</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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Motor fuel taxes	\$ 1,762,000	1,762,000	1,851,385	89,385
Permits, fees and assessments	224,000	224,000	250,635	26,635
Intergovernmental	364,000	713,980	368,902	(345,078)
Interest	15,000	15,000	40,710	25,710
Miscellaneous	-	-	24,913	24,913
Total revenues	<u>2,365,000</u>	<u>2,714,980</u>	<u>2,536,545</u>	<u>(178,435)</u>
Expenditures				
Current				
Transportation	2,285,919	3,501,536	3,153,133	348,403
Capital outlay				
Transportation	693,000	1,155,995	528,917	627,078
Total expenditures	<u>2,978,919</u>	<u>4,657,531</u>	<u>3,682,050</u>	<u>975,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(613,919)</u>	<u>(1,942,551)</u>	<u>(1,145,505)</u>	<u>797,046</u>
Other financing sources				
Transfers in	464,477	464,477	450,000	(14,477)
Total other financing sources	<u>464,477</u>	<u>464,477</u>	<u>450,000</u>	<u>(14,477)</u>
Net change in fund balances	(149,442)	(1,478,074)	(695,505)	782,569
Fund balance, beginning of year	3,243,586	3,243,586	3,243,586	-
Fund balance, end of year	<u>\$ 3,094,144</u>	<u>1,765,512</u>	<u>2,548,081</u>	<u>782,569</u>

THE CITY OF NAPLES, FLORIDA

Notes to Required Supplementary Information
September 30, 2016

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, 2016
(Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios General Employees Pension

Reporting Period Ending Measurement Date	9/30/17	9/30/16	9/30/15
	9/30/16	9/30/15	9/30/14
Total pension liability			
Service cost	\$ 1,515,025	\$ 1,500,184	\$ 1,471,441
Interest on total pension liability	4,718,425	4,553,080	4,418,330
Differences between expected and actual experience	(1,619,494)	504,129	-
Changes of assumptions	2,509,683	-	-
Benefit payments, including refunds of employee contributions	(4,407,869)	(4,354,731)	(3,888,957)
Net change in total pension liability	2,715,770	2,202,662	2,000,814
Total pension liability - beginning	63,587,582	61,384,920	59,384,106
Total pension liability - ending (a)	\$ 66,303,352	\$ 63,587,582	\$ 61,384,920
Plan fiduciary net position			
Contributions - employer	\$ 1,970,406	\$ 2,023,395	\$ 1,945,282
Contributions - state	-	-	-
Contributions - employee	711,740	694,975	715,072
Net investment income	2,994,961	414,031	5,857,072
Benefit payments, including refunds of member contributions	(4,407,869)	(4,354,731)	(3,887,856)
Administrative expenses	(160,414)	(150,741)	(142,904)
Net change in plan fiduciary net position	1,108,824	(1,373,071)	4,486,666
Plan fiduciary net position - beginning	49,878,199	51,251,270	46,764,604
Plan fiduciary net position - ending (b)	\$ 50,987,023	\$ 49,878,199	\$ 51,251,270
City's net pension liability - ending (a) - (b)	\$ 15,316,329	\$ 13,709,383	\$ 10,133,650
Plan fiduciary net position as a percentage of the total pension liability	76.90%	78.44%	83.49%
Covered-employee payroll	\$ 16,535,449	\$ 18,135,744	\$ 15,618,366
City's net pension liability as a percentage of covered-employee payroll	92.63%	75.59%	64.88%

Notes to the Schedule:

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

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information
September 30, 2016
(Unaudited)

**Schedule of Contributions
General Employees Pension**

Reporting Period Ending Measurement Date	<u>9/30/17</u> <u>9/30/16</u>	<u>9/30/16</u> <u>9/30/15</u>	<u>9/30/15</u> <u>9/30/14</u>
Actuarially determined contribution	\$ 1,969,372	\$ 2,023,395	\$ 1,924,183
Contributions in relation to the actuarially determined contribution	1,969,372	2,023,395	1,945,282
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,099)</u>
Covered employee payroll	\$ 16,535,449	\$ 18,135,744	\$ 15,618,366
Contributions as a percentage of covered-employee payroll	11.91%	11.16%	12.46%

Notes to the Schedule:

Valuation Date October 1, 2014

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

Methods and assumptions used to determine contribution rates:

Funding method: Entry age normal actuarial cost method

Amortization method: Level percentage of pay, closed

Remaining amortization period: 30 years

Asset valuation method:

All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses over a five-year period.

Inflation: 3.0% per year

Salary increases:

<u>Years of Service</u>	<u>Increase</u>
1 to 2	6.0%
3	5.5%
4	5.5%
5	5.5%
6	5.5%
7 to 8	5.5%
9	5.5%
10 to 19	5.0%
20+	40.0%

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

Payroll growth: 3.5% per year for amortization of the Unfunded Actuarial Accrued Liability. The prior valuation utilized a 4.20% payroll growth assumption.

Retirement age: For Members hired after September 30, 2011, 100% retirement is assumed at the earlier of 1) Age 65 with 8 years of Credited Service, and 2) the completion of 33 years of Credit Service, regardless of Age.

Early retirement: Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

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

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information
September 30, 2016
(Unaudited)

Schedules of Pension Investment Returns

	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Employees:			
Annual money-weighted rate of return, net of investment expenses	7.93%	0.79%	12.72%
Police:			
Annual money-weighted rate of return, net of investment expenses	7.89%	0.79%	12.60%
Fire:			
Annual money-weighted rate of return, net of investment expenses	8.01%	0.77%	12.67%

Notes to the Schedules:

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

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information
September 30, 2016
(Unaudited)

**Schedule of Changes in Net Pension Liability and Related Ratios
Police Officers' Pension**

Reporting Period Ending Measurement Date	<u>9/30/17</u>	<u>9/30/16</u>	<u>9/30/15</u>
	<u>9/30/16</u>	<u>9/30/15</u>	<u>9/30/14</u>
Total pension liability			
Service cost	\$ 943,492	\$ 1,007,847	\$ 944,053
Interest on total pension liability	4,579,541	4,448,873	4,254,147
Differences between expected and actual experience	163,041	(860,949)	-
Changes of assumptions	653,912	-	-
Benefit payments, including refunds of employee contributions	<u>(2,889,380)</u>	<u>(2,701,145)</u>	<u>(2,630,150)</u>
Net change in total pension liability	3,450,606	1,894,626	2,568,050
Total pension liability - beginning	<u>61,555,656</u>	<u>59,661,030</u>	<u>57,092,980</u>
Total pension liability - ending (a)	<u>\$ 65,006,262</u>	<u>\$ 61,555,656</u>	<u>\$ 59,661,030</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,985,703	\$ 1,737,998	\$ 1,672,462
Contributions - state	610,146	551,656	540,981
Contributions - employee	210,895	211,290	229,089
Net investment income	2,724,152	331,447	4,804,886
Benefit payments, including refunds of member contributions	<u>(2,889,380)</u>	<u>(2,701,145)</u>	<u>(2,622,981)</u>
Administrative expenses	<u>(98,445)</u>	<u>(97,327)</u>	<u>(75,114)</u>
Other	-	-	-
Net change in plan fiduciary net position	2,543,071	33,919	4,549,323
Plan fiduciary net position - beginning	<u>42,513,922</u>	<u>42,480,003</u>	<u>37,930,680</u>
Plan fiduciary net position - ending (b)	<u>\$ 45,056,993</u>	<u>\$ 42,513,922</u>	<u>\$ 42,480,003</u>
City's net pension liability - ending (a) - (b)	<u>\$ 19,949,269</u>	<u>\$ 19,041,734</u>	<u>\$ 17,181,027</u>
Plan fiduciary net position as a percentage of the total pension liability	69.31%	69.07%	71.20%
Covered-employee payroll	\$ 4,597,424	\$ 5,164,848	\$ 4,786,859
City's net pension liability as a percentage of covered-employee payroll	433.92%	368.68%	358.92%

Notes to the Schedule:

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

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information
September 30, 2016
(Unaudited)

**Schedule of Changes in Net Pension Liability and Related Ratios
Fire Fighters' Pension**

Reporting Period Ending Measurement Date	<u>9/30/17</u>	<u>9/30/16</u>	<u>9/30/15</u>
	<u>9/30/16</u>	<u>9/30/15</u>	<u>9/30/14</u>
Total pension liability			
Service cost	\$ 874,002	\$ 842,047	\$ 981,492
Interest on total pension liability	4,299,587	4,102,672	3,896,369
Differences between expected and actual experience	116,520	(247,033)	-
Changes of assumptions	1,240,006	-	-
Contributions - buy back	15,021	-	-
Benefit payments, including refunds of employee contributions	<u>(2,144,757)</u>	<u>(2,063,933)</u>	<u>(1,911,491)</u>
Net change in total pension liability	4,400,379	2,633,753	2,966,370
Total pension liability - beginning	<u>57,525,965</u>	<u>54,892,212</u>	<u>51,925,842</u>
Total pension liability - ending (a)	<u>\$ 61,926,344</u>	<u>\$ 57,525,965</u>	<u>\$ 54,892,212</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,573,305	\$ 1,180,670	\$ 1,342,378
Contributions - state	581,196	721,101	871,999
Contributions - employee	171,558	153,807	177,737
Net investment income	2,941,905	336,431	4,996,523
Benefit payments, including refunds of member contributions	<u>(2,144,757)</u>	<u>(2,063,933)</u>	<u>(1,911,492)</u>
Administrative expenses	<u>(80,473)</u>	<u>(57,827)</u>	<u>(65,535)</u>
Net change in plan fiduciary net position	3,042,734	270,249	5,411,610
Plan fiduciary net position - beginning	<u>44,986,151</u>	<u>44,715,902</u>	<u>39,304,292</u>
Plan fiduciary net position - ending (b)	<u>\$ 48,028,885</u>	<u>\$ 44,986,151</u>	<u>\$ 44,715,902</u>
City's net pension liability - ending (a) - (b)	<u>\$ 13,897,459</u>	<u>\$ 12,539,814</u>	<u>\$ 10,176,310</u>
Plan fiduciary net position as a percentage of the total pension liability	77.56%	78.20%	81.46%
Covered-employee payroll	\$ 3,237,715	\$ 4,341,784	\$ 3,573,306
City's net pension liability as a percentage of covered-employee payroll	429.24%	288.82%	284.79%

Notes to the Schedule:

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

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information
September 30, 2016
(Unaudited)

**Schedule of Contributions
Fire Fighters' Pension**

Reporting Period Ending Measurement Date	<u>9/30/17</u> <u>9/30/16</u>	<u>9/30/16</u> <u>9/30/15</u>	<u>9/30/15</u> <u>9/30/14</u>
Actuarially determined contribution	\$ 2,148,871	\$ 1,901,771	\$ 2,214,377
Contributions in relation to the actuarially determined contribution	2,148,871	1,901,771	2,214,377
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,237,715	\$ 4,341,784	\$ 3,573,306
Contributions as a percentage of covered-employee payroll	66.37%	43.80%	61.97%

Notes to the Schedule:

Valuation Date October 1, 2014

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

Methods and assumptions used to determine contribution rates:

Funding method: Entry age normal actuarial cost method

Amortization method: Level percentage of pay, closed

Remaining amortization period: 30 years

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

Inflation: 3.0% per year

Salary increases:	<u>Years of Service</u>	<u>Increase</u>
	1	10.0%
	2-9	7.5%
	10-14	6.0%
	15-19	5.5%
	20+	4.5%

Interest Rate:

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

Payroll growth:

3.2% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumption was 4.1% for the prior valuation.

Post Retirement COLA:

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

Retirement age:

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

Early retirement

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

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

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information
September 30, 2016
(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
10/01/15	\$ -	6,636	6,636	0%	26,698	25%
10/01/13	-	9,946	9,946	0%	25,793	39%
10/01/11	-	9,517	9,517	0%	24,449	39%

Notes to the Schedule:

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

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

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

Grants Fund—To account for various grant activity.

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

Business Improvement District Fund—To account for receipt and disbursement of monies used for the purpose of stabilizing and improving retail businesses within the Fifth Avenue South assessment area.

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

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

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

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

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

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Capital Projects Funds

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

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

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

CITY OF NAPLES, FLORIDACombining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

	Special Revenue Funds	Capital Project Funds	Total
Assets			
Cash and investments	\$ 17,238,182	888,848	18,127,030
Accounts receivable	217,757	-	217,757
Accrued interest	19,369	2,734	22,103
Due from other governments	13,658	-	13,658
Total assets	<u>\$ 17,488,966</u>	<u>891,582</u>	<u>18,380,548</u>
Liabilities			
Accounts payable	\$ 576,938	-	576,938
Accrued payroll	116,096	-	116,096
Advances payable to other funds	55,444	-	55,444
Customer deposits	399,549	-	399,549
Total liabilities	<u>1,148,027</u>	<u>-</u>	<u>1,148,027</u>
Deferred inflows of resources			
Unavailable revenue	<u>217,257</u>	<u>-</u>	<u>217,257</u>
Fund balances			
Restricted	14,526,129	882,372	15,408,501
Committed	1,522,701	9,210	1,531,911
Assigned	74,852	-	74,852
Total fund balances	<u>16,123,682</u>	<u>891,582</u>	<u>17,015,264</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,488,966</u>	<u>891,582</u>	<u>18,380,548</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2016

	Special Revenue Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes—property	\$ 288,435	-	288,435
Permits, fees and assessments	4,437,154	462,711	4,899,865
Intergovernmental	3,488	-	3,488
Charges for services	14,605	-	14,605
Fines and forfeitures	131,882	-	131,882
Interest	82,875	6,916	89,791
Donations	108,355	-	108,355
Miscellaneous	9,632	-	9,632
Total revenues	<u>5,076,426</u>	<u>469,627</u>	<u>5,546,053</u>
Expenditures			
Current			
General government	13,252	-	13,252
Public safety	4,021,019	-	4,021,019
Economic and physical development	424,222	-	424,222
Culture and recreation	1,108,130	-	1,108,130
Capital outlay			
Public safety	204,164	-	204,164
Economic and physical development	97,865	-	97,865
Culture and recreation	758,151	-	758,151
Debt service			
Interest	5,324	-	5,324
Total expenditures	<u>6,632,127</u>	<u>-</u>	<u>6,632,127</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,555,701)</u>	<u>469,627</u>	<u>(1,086,074)</u>
Other financing sources (uses)			
Transfers out	(401,260)	(142,500)	(543,760)
Total other financing sources (uses)	<u>(401,260)</u>	<u>(142,500)</u>	<u>(543,760)</u>
Change in fund balances	(1,956,961)	327,127	(1,629,834)
Fund balances, beginning of year	18,080,643	564,455	18,645,098
Fund balances, end of year	<u>\$ 16,123,682</u>	<u>891,582</u>	<u>17,015,264</u>

CITY OF NAPLES, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Special Revenue Funds
September 30, 2016

	Building and Zoning Fund	Community Development Block Grant Fund	Baker Park Fund	Improvement Fund	Public Arts Fund	Grants Fund
Assets						
Cash and investments	5,611,784	74,852	8,581,363	288,960	526,204	7,188
Accounts receivable	-	-	-	500	-	-
Accrued interest	12,344	-	-	-	123	-
Due from other governments	13,658	-	-	-	-	-
Total assets	<u>5,637,786</u>	<u>74,852</u>	<u>8,581,363</u>	<u>289,460</u>	<u>526,327</u>	<u>7,188</u>
Liabilities						
Accounts payable	275,819	-	289,518	7,000	-	-
Accrued payroll	116,096	-	-	-	-	-
Advances payable to other funds	-	-	-	-	-	-
Customer deposits	-	-	-	-	399,549	-
Total liabilities	<u>391,915</u>	<u>-</u>	<u>289,518</u>	<u>7,000</u>	<u>399,549</u>	<u>-</u>
Deferred inflows of resources						
Unavailable revenue	-	-	-	-	-	-
Fund balances						
Restricted	5,245,871	-	8,291,845	282,460	-	7,188
Committed	-	-	-	-	126,778	-
Assigned	-	74,852	-	-	-	-
Total fund balances	<u>5,245,871</u>	<u>74,852</u>	<u>8,291,845</u>	<u>282,460</u>	<u>126,778</u>	<u>7,188</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,637,786</u>	<u>74,852</u>	<u>8,581,363</u>	<u>289,460</u>	<u>526,327</u>	<u>7,188</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
461,065	5,048	160,200	56,694	162,424	132,365	1,170,035	17,238,182
-	-	-	-	217,257	-	-	217,757
688	-	871	1,070	-	1,243	3,030	19,369
-	-	-	-	-	-	-	13,658
<u>461,753</u>	<u>5,048</u>	<u>161,071</u>	<u>57,764</u>	<u>379,681</u>	<u>133,608</u>	<u>1,173,065</u>	<u>17,488,966</u>
3,576	-	-	-	-	-	1,025	576,938
-	-	-	-	-	-	-	116,096
-	-	-	-	-	55,444	-	55,444
-	-	-	-	-	-	-	399,549
<u>3,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,444</u>	<u>1,025</u>	<u>1,148,027</u>
-	-	-	-	217,257	-	-	217,257
458,177	-	-	-	162,424	78,164	-	14,526,129
-	5,048	161,071	57,764	-	-	1,172,040	1,522,701
-	-	-	-	-	-	-	74,852
<u>458,177</u>	<u>5,048</u>	<u>161,071</u>	<u>57,764</u>	<u>162,424</u>	<u>78,164</u>	<u>1,172,040</u>	<u>16,123,682</u>
<u>461,753</u>	<u>5,048</u>	<u>161,071</u>	<u>57,764</u>	<u>379,681</u>	<u>133,608</u>	<u>1,173,065</u>	<u>17,488,966</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Special Revenue Funds
Year Ended September 30, 2016

	Building and Zoning Fund	Community Development Block Grant Fund	Baker Park Fund	Improvement Fund	Public Arts Fund	Grants Fund
Revenues						
Taxes—property	\$ -	-	-	-	-	-
Permits, fees and assessments	3,940,025	-	-	-	-	-
Intergovernmental	-	-	-	-	-	3,488
Charges for services	4,605	10,000	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	57,878	-	-	-	-	-
Donations	-	-	26,236	47,107	-	35,012
Miscellaneous	9,632	-	-	-	-	-
Total revenues	<u>4,012,140</u>	<u>10,000</u>	<u>26,236</u>	<u>47,107</u>	<u>-</u>	<u>38,500</u>
Expenditures						
Current						
General government	-	-	-	13,252	-	-
Public safety	3,943,770	-	-	4,390	-	3,488
Economic and physical development	-	-	-	-	-	-
Culture and recreation	-	-	1,060,000	48,130	-	-
Capital outlay						
Public safety	177,497	-	-	-	-	-
Economic and physical development	-	-	-	-	-	88,241
Culture and recreation	-	-	758,151	-	-	-
Debt service						
Interest	-	-	-	-	-	-
Total expenditures	<u>4,121,267</u>	<u>-</u>	<u>1,818,151</u>	<u>65,772</u>	<u>-</u>	<u>91,729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(109,127)</u>	<u>10,000</u>	<u>(1,791,915)</u>	<u>(18,665)</u>	<u>-</u>	<u>(53,229)</u>
Other financing sources (uses)						
Transfers out						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	(109,127)	10,000	(1,791,915)	(18,665)	-	(53,229)
Fund balances, beginning of year	5,354,998	64,852	10,083,760	301,125	126,778	60,417
Fund balances, end of year	<u>\$ 5,245,871</u>	<u>74,852</u>	<u>8,291,845</u>	<u>282,460</u>	<u>126,778</u>	<u>7,188</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
-	-	-	-	-	247,356	41,079	288,435
-	400,982	-	-	96,147	-	-	4,437,154
-	-	-	-	-	-	-	3,488
-	-	-	-	-	-	-	14,605
131,882	-	-	-	-	-	-	131,882
4,058	-	1,561	2,071	-	4,553	12,754	82,875
-	-	-	-	-	-	-	108,355
-	-	-	-	-	-	-	9,632
<u>135,940</u>	<u>400,982</u>	<u>1,561</u>	<u>2,071</u>	<u>96,147</u>	<u>251,909</u>	<u>53,833</u>	<u>5,076,426</u>
-	-	-	-	-	-	-	13,252
69,371	-	-	-	-	-	-	4,021,019
-	400,987	-	-	4,232	1,788	17,215	424,222
-	-	-	-	-	-	-	1,108,130
26,667	-	-	-	-	-	-	204,164
-	-	-	-	-	9,624	-	97,865
-	-	-	-	-	-	-	758,151
-	-	-	-	-	5,324	-	5,324
<u>96,038</u>	<u>400,987</u>	<u>-</u>	<u>-</u>	<u>4,232</u>	<u>16,736</u>	<u>17,215</u>	<u>6,632,127</u>
<u>39,902</u>	<u>(5)</u>	<u>1,561</u>	<u>2,071</u>	<u>91,915</u>	<u>235,173</u>	<u>36,618</u>	<u>(1,555,701)</u>
-	-	-	(305,572)	(95,688)	-	-	(401,260)
-	-	-	(305,572)	(95,688)	-	-	(401,260)
39,902	(5)	1,561	(303,501)	(3,773)	235,173	36,618	(1,956,961)
418,275	5,053	159,510	361,265	166,197	(157,009)	1,135,422	18,080,643
<u>458,177</u>	<u>5,048</u>	<u>161,071</u>	<u>57,764</u>	<u>162,424</u>	<u>78,164</u>	<u>1,172,040</u>	<u>16,123,682</u>

CITY OF NAPLES, FLORIDA
 Combining Balance Sheet
 Nonmajor Governmental Capital Projects Funds
 September 30, 2016

	Capital Project Funds		Total Nonmajor Capital Projects Funds
	Impact Fee Fund	Land Contribution Fund	
Assets			
Cash and investments	\$ 881,067	\$ 7,781	888,848
Accrued interest	1,305	1,429	2,734
Total assets	<u>\$ 882,372</u>	<u>9,210</u>	<u>891,582</u>
Liabilities			
Accounts payable	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balances			
Restricted	882,372	-	882,372
Committed	-	9,210	9,210
Total fund balances	<u>882,372</u>	<u>9,210</u>	<u>891,582</u>
Total liabilities and fund balances	<u>\$ 882,372</u>	<u>9,210</u>	<u>891,582</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Capital Projects Funds
Year Ended September 30, 2016

	Capital Project Funds		Total Nonmajor Capital Projects Funds
	Impact Fee Fund	Land Contribution Fund	
Revenues			
Permits, fees and assessments	\$ 462,711	-	462,711
Interest	6,911	5	6,916
Total revenues	<u>469,622</u>	<u>5</u>	<u>469,627</u>
Excess of revenues over expenditures	469,622	5	469,627
Other financing uses			
Transfers out	(142,500)	-	(142,500)
Total other financing uses	<u>(142,500)</u>	<u>-</u>	<u>(142,500)</u>
Change in fund balances	327,122	5	327,127
Fund balances, beginning of year	555,250	9,205	564,455
Fund balances, end of year	<u>\$ 882,372</u>	<u>9,210</u>	<u>891,582</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, 2016

	Building and Zoning Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Permits, fees and assessments	\$ 4,800,000	4,800,000	3,940,025	(859,975)
Charges for services	10,600	10,600	4,605	(5,995)
Interest	30,000	30,000	57,878	27,878
Donations	-	-	-	-
Miscellaneous	11,000	11,000	9,632	(1,368)
Total revenues	<u>4,851,600</u>	<u>4,851,600</u>	<u>4,012,140</u>	<u>(839,460)</u>
Expenditures				
Current				
Public safety	4,523,357	4,523,357	3,943,770	579,587
Culture and recreation	-	-	-	-
Capital outlay				
Public safety	584,000	649,136	177,497	471,639
Economic and physical development	-	-	-	-
Total expenditures	<u>5,107,357</u>	<u>5,172,493</u>	<u>4,121,267</u>	<u>1,051,226</u>
Change in fund balances	(255,757)	(320,893)	(109,127)	211,766
Fund balances, beginning of year	5,354,998	5,354,998	5,354,998	-
Fund balances, end of year	<u>\$ 5,099,241</u>	<u>5,034,105</u>	<u>5,245,871</u>	<u>211,766</u>

Community Development Block Grant Fund				Baker Park Fund			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
-	-	-	-	-	-	-	-
-	-	10,000	10,000	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,523,434	1,523,434	26,236	(1,497,198)
-	-	-	-	-	-	-	-
-	-	10,000	10,000	1,523,434	1,523,434	26,236	(1,497,198)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,060,000	(1,060,000)
-	-	-	-	-	-	-	-
-	-	-	-	600,000	1,938,820	758,151	1,180,669
-	-	-	-	600,000	1,938,820	1,818,151	120,669
-	-	10,000	10,000	923,434	(415,386)	(1,791,915)	(1,376,529)
64,852	64,852	64,852	-	2,308,385	2,308,385	10,083,760	7,775,375
64,852	64,852	74,852	10,000	3,231,819	1,892,999	8,291,845	6,398,846

(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, 2016

	Confiscated Properties Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Permits, fees and assessments	\$ -	-	-	-
Intergovernmental	-	-	-	-
Fines and forfeitures	-	-	131,882	131,882
Interest	-	-	4,058	4,058
Total revenues	<u>-</u>	<u>-</u>	<u>135,940</u>	<u>135,940</u>
Expenditures				
Current				
Public safety	-	-	69,371	(69,371)
Economic and physical development	-	-	-	-
Capital outlay				
Public safety	-	-	26,667	(26,667)
Total expenditures	<u>-</u>	<u>-</u>	<u>96,038</u>	<u>(96,038)</u>
Change in fund balances	-	-	39,902	39,902
Fund balances, beginning of year	418,275	418,275	418,275	-
Fund balances, end of year	<u>\$ 418,275</u>	<u>418,275</u>	<u>458,177</u>	<u>39,902</u>

Grants Fund				Business Improvement District			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
-	-	-	-	396,449	396,449	400,982	4,533
-	-	3,488	3,488	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,488	3,488	396,449	396,449	400,982	4,533
-	-	-	-	-	-	-	-
-	-	-	-	396,449	396,449	400,987	(4,538)
-	-	-	-	-	-	-	-
-	-	-	-	396,449	396,449	400,987	(4,538)
-	-	3,488	3,488	-	-	(5)	(5)
60,417	60,417	60,417	-	5,053	5,053	5,053	-
60,417	60,417	63,905	3,488	5,053	5,053	5,048	(5)

CITY OF NAPLES, FLORIDA
 Nonmajor Special Revenue Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year Ended September 30, 2016

	Port Royal Dredging District Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes - property	\$ -	-	-	-
Permits, fees and assessments	73,000	73,000	96,147	23,147
Interest	-	-	-	-
Total revenues	<u>73,000</u>	<u>73,000</u>	<u>96,147</u>	<u>23,147</u>
Expenditures				
Current				
Economic and physical development	2,640	2,640	4,232	(1,592)
Capital outlay:				
Economic and physical development	-	152,578	-	152,578
Debt service				
Interest	-	-	-	-
Total expenditures	<u>2,640</u>	<u>155,218</u>	<u>4,232</u>	<u>150,986</u>
Excess (deficiency) of revenues over (under) expenditures	<u>70,360</u>	<u>(82,218)</u>	<u>91,915</u>	<u>174,133</u>
Other financing sources				
Transfer out	(70,000)	(70,000)	(95,688)	(25,688)
Total other financing sources	<u>(70,000)</u>	<u>(70,000)</u>	<u>(95,688)</u>	<u>(25,688)</u>
Change in fund balances	360	(152,218)	(3,773)	148,445
Fund balances, beginning of year	166,197	166,197	166,197	-
Fund balances, end of year	<u>\$ 166,557</u>	<u>13,979</u>	<u>162,424</u>	<u>148,445</u>

East Naples Bay District Fund				Moorings Bay District Fund			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
242,600	242,600	247,356	4,756	40,504	40,504	41,079	575
-	-	-	-	-	-	-	-
4,800	4,800	4,553	(247)	6,500	6,500	12,754	6,254
<u>247,400</u>	<u>247,400</u>	<u>251,909</u>	<u>4,509</u>	<u>47,004</u>	<u>47,004</u>	<u>53,833</u>	<u>6,829</u>
4,000	4,000	1,788	2,212	24,250	24,250	17,215	7,035
150,000	150,000	9,624	140,376	-	-	-	-
-	-	5,324	(5,324)	-	-	-	-
<u>154,000</u>	<u>154,000</u>	<u>16,736</u>	<u>137,264</u>	<u>24,250</u>	<u>24,250</u>	<u>17,215</u>	<u>7,035</u>
<u>93,400</u>	<u>93,400</u>	<u>235,173</u>	<u>141,773</u>	<u>22,754</u>	<u>22,754</u>	<u>36,618</u>	<u>13,864</u>
(200,000)	(200,000)	-	200,000	-	-	-	-
<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(106,600)	(106,600)	235,173	341,773	22,754	22,754	36,618	13,864
(525,191)	(525,191)	(157,009)	368,182	1,135,422	1,135,422	1,135,422	-
<u>(631,791)</u>	<u>(631,791)</u>	<u>78,164</u>	<u>709,955</u>	<u>1,158,176</u>	<u>1,158,176</u>	<u>1,172,040</u>	<u>13,864</u>

CITY OF NAPLES, FLORIDA
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual
Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes	\$ 3,284,585	3,284,585	3,411,881	127,296
Interest	-	-	7,985	7,985
Total revenues	<u>3,284,585</u>	<u>3,284,585</u>	<u>3,419,866</u>	<u>135,281</u>
Expenditures				
Current				
General government	59,980	59,980	59,980	-
Debt service				
Principal	1,498,087	1,498,087	1,516,000	(17,913)
Interest and fiscal charges	133,288	133,288	133,063	225
Total debt service	<u>1,631,375</u>	<u>1,631,375</u>	<u>1,649,063</u>	<u>(17,688)</u>
Total expenditures	<u>1,691,355</u>	<u>1,691,355</u>	<u>1,709,043</u>	<u>(17,688)</u>
Excess of revenues over expenditures	<u>1,593,230</u>	<u>1,593,230</u>	<u>1,710,823</u>	<u>117,593</u>
Other financing sources (uses)				
Transfers in	963,389	963,389	963,389	-
Transfers out	(3,000,000)	(3,000,000)	(3,000,000)	-
Total other financing sources (uses)	<u>(2,036,611)</u>	<u>(2,036,611)</u>	<u>(2,036,611)</u>	<u>-</u>
Change in fund balance	(443,381)	(443,381)	(325,788)	117,593
Fund balances, beginning of year	<u>1,422,476</u>	<u>1,422,476</u>	<u>1,422,476</u>	<u>-</u>
Fund balances, end of year	<u>\$ 979,095</u>	<u>979,095</u>	<u>1,096,688</u>	<u>117,593</u>

CITY OF NAPLES, FLORIDA
 Capital Projects Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year Ended September 30, 2016

	Capital Projects Fund - Major Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Permits, fees and assessments	\$ 136,000	36,000	-	(36,000)
Investment income	9,800	9,800	59,894	50,094
Total revenues	<u>145,800</u>	<u>45,800</u>	<u>59,894</u>	<u>14,094</u>
Expenditures				
Current				
General government	63,800	63,800	63,800	-
Capital projects				
General government	637,500	880,433	481,057	399,376
Public safety	1,520,168	1,862,157	1,217,150	645,007
Transportation	815,000	890,444	730,810	159,634
Total capital projects	<u>2,972,668</u>	<u>3,633,034</u>	<u>2,429,017</u>	<u>1,204,017</u>
Total expenditures	<u>3,036,468</u>	<u>3,696,834</u>	<u>2,492,817</u>	<u>1,204,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,890,668)</u>	<u>(3,651,034)</u>	<u>(2,432,923)</u>	<u>1,218,111</u>
Other financing sources (uses)				
Transfers in	3,192,500	3,387,450	3,333,138	(54,312)
Proceeds from sale of capital assets	25,000	25,000	94,405	69,405
Total other financing sources (uses)	<u>3,217,500</u>	<u>3,412,450</u>	<u>3,427,543</u>	<u>15,093</u>
Change in fund balance	326,832	(238,584)	994,620	1,233,204
Fund balances, beginning of year	4,614,977	4,614,977	4,614,977	-
Fund balances, end of year	<u>\$ 4,941,809</u>	<u>4,376,393</u>	<u>5,609,597</u>	<u>1,233,204</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.

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CITY OF NAPLES, FLORIDA
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2016

Assets	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Current assets				
Cash and investments	\$ 3,281,893	898,364	341,678	4,521,935
Restricted cash and investments	-	63,648	-	63,648
Receivables (net, where applicable, of allowance for uncollectible)				
Accounts	36,053	2,708	-	38,761
Accrued interest	7,009	1,574	900	9,483
Due from other governments	360,922	4,264	-	365,186
Due from other funds	-	-	17,913	17,913
Inventories	-	15,456	3,062	18,518
Total current assets	<u>3,685,877</u>	<u>986,014</u>	<u>363,553</u>	<u>5,035,444</u>
Capital assets				
Buildings and utility plants	1,126,190	85,715	703,269	1,915,174
Improvements other than buildings	6,889,019	2,413,881	142,202	9,445,102
Equipment	1,188,165	400,771	70,363	1,659,299
Accumulated depreciation	(6,199,164)	(2,845,086)	(731,141)	(9,775,391)
Construction in progress	-	152,316	-	152,316
Net capital assets	<u>3,004,210</u>	<u>207,597</u>	<u>184,693</u>	<u>3,396,500</u>
Total assets	<u>6,690,087</u>	<u>1,193,611</u>	<u>548,246</u>	<u>8,431,944</u>
Deferred outflows of resources				
Deferred outflows - pensions	\$ 65,458	24,816	23,737	114,011
Liabilities				
Current liabilities				
Accounts payable	\$ 64,915	35,667	3,472	104,054
Accrued payroll	31,093	7,884	7,428	46,405
Unearned revenue	38,701	23,337	-	62,038
Current portion of compensated absences	20,000	2,000	3,000	25,000
Total current liabilities	<u>154,709</u>	<u>68,888</u>	<u>13,900</u>	<u>237,497</u>
Current liabilities (payable from restricted assets)				
Customer deposits	-	63,648	-	63,648
Total current liabilities	<u>154,709</u>	<u>132,536</u>	<u>13,900</u>	<u>301,145</u>
Noncurrent liabilities				
Net pension liability	249,511	94,595	90,482	434,588
Other post-employment benefits	66,010	10,820	12,280	89,110
Compensated absences	28,093	8,382	15,470	51,945
Total noncurrent liabilities	<u>343,614</u>	<u>113,797</u>	<u>118,232</u>	<u>575,643</u>
Total liabilities	<u>498,323</u>	<u>246,333</u>	<u>132,132</u>	<u>876,788</u>
Net Position				
Net investment in capital assets	3,004,210	207,597	184,693	3,396,500
Unrestricted	3,253,012	764,497	255,158	4,272,667
Total net position	<u>\$ 6,257,222</u>	<u>972,094</u>	<u>439,851</u>	<u>7,669,167</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
Year Ended September 30, 2016

	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Operating revenues				
Charges for services	\$ 1,754,058	1,530,363	591,145	3,875,566
Total operating revenues	<u>1,754,058</u>	<u>1,530,363</u>	<u>591,145</u>	<u>3,875,566</u>
Operating expenses				
Personal services	911,398	251,460	214,067	1,376,925
Supplies and services	400,790	990,231	245,334	1,636,355
Utilities	123,828	73,155	1,179	198,162
Depreciation and amortization	450,911	29,480	48,700	529,091
General administration	125,970	50,430	39,870	216,270
Other	180,668	-	25,688	206,356
Total operating expenses	<u>2,193,565</u>	<u>1,394,756</u>	<u>574,838</u>	<u>4,163,159</u>
Operating income (loss)	<u>(439,507)</u>	<u>135,607</u>	<u>16,307</u>	<u>(287,593)</u>
Nonoperating revenues (expenses)				
Grant revenue	1,211,932	-	-	1,211,932
Interest income	25,989	10,660	3,695	40,344
Interest expense	-	-	(170)	(170)
Gain on sale of capital assets	10,148	-	-	10,148
Total nonoperating revenues	<u>1,248,069</u>	<u>10,660</u>	<u>3,525</u>	<u>1,262,254</u>
Income before transfers	808,562	146,267	19,832	974,661
Transfers in	<u>-</u>	<u>-</u>	<u>47,500</u>	<u>47,500</u>
Change in net position	808,562	146,267	67,332	1,022,161
Net position, beginning of year	5,448,660	825,827	372,519	6,647,006
Net position, end of year	<u>\$ 6,257,222</u>	<u>972,094</u>	<u>439,851</u>	<u>7,669,167</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2016

	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Cash flows from operating activities				
Cash received from customers	\$ 1,761,265	1,548,937	591,145	3,901,347
Cash payments to suppliers	324,825	(1,084,374)	(271,950)	(1,031,499)
Cash payments for employee services	(853,714)	(50,430)	(39,870)	(944,014)
Cash payments for interfund services	(125,970)	(234,945)	(200,165)	(561,080)
Net cash provided by operating activities	<u>1,106,406</u>	<u>179,188</u>	<u>79,160</u>	<u>1,364,754</u>
Cash flows from noncapital financing activities				
Transfers	-	-	47,500	47,500
Loans/advances and repayments from (to) other funds	-	-	(17,913)	(17,913)
Operating grants	611,932	-	-	611,932
Net cash provided by noncapital financing activities	<u>611,932</u>	<u>-</u>	<u>29,587</u>	<u>641,519</u>
Cash flows from capital and related financing activities				
Principal paid on long-term debt	-	-	(20,000)	(20,000)
Interest paid on long-term debt	-	-	(193)	(193)
Capital contributions	600,000	-	-	600,000
Proceeds from sale of capital assets	10,148	-	-	10,148
Acquisition and construction of capital assets	(753,282)	(152,317)	(42,028)	(947,627)
Net cash provided (used) by capital and related financing activities	<u>(143,134)</u>	<u>(152,317)</u>	<u>(62,221)</u>	<u>(357,672)</u>
Cash flows from investing activities				
Interest and investment earnings	26,988	9,785	3,734	40,507
Net cash provided by investing activities	<u>26,988</u>	<u>9,785</u>	<u>3,734</u>	<u>40,507</u>
Net change in cash and cash equivalents	1,602,192	36,656	50,260	1,689,108
Cash and cash equivalents, beginning of year	1,679,701	925,356	291,418	2,896,475
Cash and cash equivalents, end of year	<u>\$ 3,281,893</u>	<u>962,012</u>	<u>341,678</u>	<u>4,585,583</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (439,507)	135,607	16,307	(287,593)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	450,911	29,480	48,700	529,091
Changes in assets and liabilities				
Decrease in receivables, net	39,219	12,445	-	51,664
Decrease in due from other governments	1,464,414	3,818	-	1,468,232
Decrease (increase) in inventories	-	526	(292)	234
Increase in deferred outflows	(28,632)	(10,855)	(10,383)	(49,870)
Increase (decrease) in accounts payable	(434,303)	(21,514)	543	(455,274)
Increase in accrued payroll	8,749	1,324	1,758	11,831
(Decrease) in unearned revenue	(32,012)	(436)	-	(32,448)
Increase in customer deposits	-	2,747	-	2,747
(Decrease) in deferred inflows	(172)	(65)	(62)	(299)
Increase in net pension liability	65,079	24,673	23,600	113,352
Increase in other post-employment benefits	14,095	1,848	1,703	17,646
(Decrease) in compensated absences	(1,435)	(410)	(2,714)	(4,559)
Net cash provided by operating activities	<u>\$ 1,106,406</u>	<u>179,188</u>	<u>79,160</u>	<u>1,364,754</u>

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Internal Service Funds

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

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

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

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

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

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CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended September 30, 2016

	Equipment Services	Risk Management	Health Benefits	Technology Services	Total
Operating revenues					
Charges for services	\$ 2,088,143	3,322,070	6,903,205	1,579,170	13,892,588
Operating expenses					
Personal services	729,236	154,525	-	577,378	1,461,139
Supplies, services and claims	1,079,676	2,580,462	6,578,297	810,265	11,048,700
Utilities	22,843	-	-	-	22,843
Depreciation and amortization	59,834	-	-	241,857	301,691
General administration	107,770	68,500	122,080	98,130	396,480
Other	1,053	5,077	-	-	6,130
Total operating expenses	<u>2,000,412</u>	<u>2,808,564</u>	<u>6,700,377</u>	<u>1,727,630</u>	<u>13,236,983</u>
Operating income (loss)	87,731	513,506	202,828	(148,460)	655,605
Nonoperating revenues (expenses)					
Interest income	487	69,395	22,617	10,022	102,521
Gain on sale of capital assets	5,800	-	-	125	5,925
Total nonoperating revenues	<u>6,287</u>	<u>69,395</u>	<u>22,617</u>	<u>10,147</u>	<u>108,446</u>
Change in net position	94,018	582,901	225,445	(138,313)	764,051
Net position, beginning of year	60,075	2,969,729	1,749,647	1,253,830	6,033,281
Net position, end of year	<u>\$ 154,093</u>	<u>3,552,630</u>	<u>1,975,092</u>	<u>1,115,517</u>	<u>6,797,332</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2016

	Equipment Services	Risk Management	Health Benefits	Technology Services	Total
Cash flows from operating activities					
Cash received from customers	\$ 2,087,507	3,322,070	6,899,419	1,579,170	13,888,166
Cash payments to suppliers for goods and services	(1,114,415)	(2,542,811)	(6,660,293)	(663,358)	(10,980,877)
Cash payments for employee services	(707,961)	(68,500)	-	(98,130)	(874,591)
Cash payments for interfund services	(107,770)	(139,923)	(122,080)	(535,696)	(905,469)
Net cash provided by operating activities	<u>157,361</u>	<u>570,836</u>	<u>117,046</u>	<u>281,986</u>	<u>1,127,229</u>
Cash flows from capital and related financing activities					
Proceeds from the sale of capital assets	5,800	-	-	125	5,925
Acquisition and construction of capital assets	(50,243)	-	-	(257,392)	(307,635)
Net cash (used) by capital and related financing activities	<u>(44,443)</u>	<u>-</u>	<u>-</u>	<u>(257,267)</u>	<u>(301,710)</u>
Cash flows from investing activities					
Interest on pooled cash and investments	450	63,234	20,837	8,535	93,056
Net cash provided by investing activities	<u>450</u>	<u>63,234</u>	<u>20,837</u>	<u>8,535</u>	<u>93,056</u>
Net change in cash and cash equivalents	113,368	634,070	137,883	33,254	918,575
Cash and cash equivalents, beginning of year	110,460	6,382,532	2,215,386	851,749	9,560,127
Cash and cash equivalents, end of year	<u>\$ 223,828</u>	<u>7,016,602</u>	<u>2,353,269</u>	<u>885,003</u>	<u>10,478,702</u>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 87,731	513,506	202,828	(148,460)	655,605
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation and amortization	59,834	-	-	241,857	301,691
Changes in assets and liabilities					
(Increase) in miscellaneous receivables	-	-	(3,833)	-	(3,833)
(Increase) in due from other governments	(636)	-	-	-	(636)
Decrease in inventories	31,755	-	-	-	31,755
(Increase) in deferred outflows	(30,520)	(6,292)	-	(21,552)	(58,364)
Increase (decrease) in accounts payable	(42,598)	(6,272)	5	146,907	98,042
Increase (decrease) in accrued payroll	(9,927)	1,157	-	4,088	(4,682)
Increase in unearned revenue	-	-	47	-	47
Increase (decrease) in insurance claims payable	-	49,000	(82,001)	-	(33,001)
(Decrease) in deferred inflows	(183)	(38)	-	(129)	(350)
Increase in net pension liability	69,369	14,303	-	48,988	132,660
Increase in other post-employment benefits	9,455	1,143	-	7,051	17,649
Increase (decrease) in compensated absences	(16,919)	4,329	-	3,236	(9,354)
Net cash provided by operating activities	<u>\$ 157,361</u>	<u>570,836</u>	<u>117,046</u>	<u>281,986</u>	<u>1,127,229</u>

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Fiduciary Funds

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

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

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

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

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

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

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

CITY OF NAPLES, FLORIDA
Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Assets			
Cash and cash equivalents	\$ 1,727,947	-	-
Receivables			
Contributions	136,543	21,131	5,061
Investments, at fair value			
U.S. Treasury securities	2,307,744	-	-
U.S. Government agency securities	661,601	-	-
Municipal obligations	175,869	-	-
Asset-backed securities	2,880,397	-	-
Corporate bonds	4,084,480	-	-
Common stock/equity funds	33,789,034	-	-
Real estate investment trusts	2,661,097	-	-
Mutual funds	-	7,704,471	1,510,965
Alternative investments	2,571,112	-	-
Total investments	<u>49,131,334</u>	<u>7,704,471</u>	<u>1,510,965</u>
Total assets	<u>50,995,824</u>	<u>7,725,602</u>	<u>1,516,026</u>
Liabilities			
Accounts payable	<u>8,801</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,801</u>	<u>-</u>	<u>-</u>
Net position			
Restricted for pension benefits	<u>\$ 50,987,023</u>	<u>7,725,602</u>	<u>1,516,026</u>

Pension Trust

Police Officers' Pension Fund	Firefighters' Pension Fund	Total
2,164,040	2,064,529	5,956,516
41,081	595,585	799,401
2,066,213	2,267,408	6,641,365
517,256	531,097	1,709,954
145,562	139,594	461,025
2,490,215	2,604,468	7,975,080
3,630,865	3,815,907	11,531,252
29,787,687	31,855,584	95,432,305
2,062,350	1,929,295	6,652,742
-	-	9,215,436
2,158,285	2,245,267	6,974,664
<u>42,858,433</u>	<u>45,388,620</u>	<u>146,593,823</u>
<u>45,063,554</u>	<u>48,048,734</u>	<u>153,349,740</u>
<u>6,561</u>	<u>19,849</u>	<u>35,211</u>
<u>6,561</u>	<u>19,849</u>	<u>35,211</u>
<u>45,056,993</u>	<u>48,028,885</u>	<u>153,314,529</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2016

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Additions			
Contributions			
Employee contributions	\$ 711,740	466,420	71,950
Employer contributions	1,970,406	217,328	50,752
State contributions	-	-	-
Total contributions	<u>2,682,146</u>	<u>683,748</u>	<u>122,702</u>
Investment earnings			
Interest and dividend income	1,091,623	172,823	11,744
Net change in fair value of investments	2,175,640	414,214	108,830
Less investment expense	<u>(272,302)</u>	<u>(22,931)</u>	<u>(1,285)</u>
Net investment earnings	<u>2,994,961</u>	<u>564,106</u>	<u>119,289</u>
Total additions	<u>5,677,107</u>	<u>1,247,854</u>	<u>241,991</u>
Deductions			
Benefits paid	3,688,779	-	-
Refunds of contributions	719,090	578,043	714
General administration	<u>160,414</u>	<u>-</u>	<u>-</u>
Total deductions	<u>4,568,283</u>	<u>578,043</u>	<u>714</u>
Changes in net position	1,108,824	669,811	241,277
Net position, beginning of year	49,878,199	7,055,791	1,274,749
Net position, end of year	<u>\$ 50,987,023</u>	<u>7,725,602</u>	<u>1,516,026</u>

Pension Trust

Police Officers' Pension Fund	Firefighters' Pension Fund	Total
210,895	171,558	1,632,563
1,985,703	1,573,305	5,797,494
610,146	581,196	1,191,342
<u>2,806,744</u>	<u>2,326,059</u>	<u>8,621,399</u>
939,298	974,966	3,190,454
2,022,463	2,212,732	6,933,879
(237,609)	(245,793)	(779,920)
<u>2,724,152</u>	<u>2,941,905</u>	<u>9,344,413</u>
<u>5,530,896</u>	<u>5,267,964</u>	<u>17,965,812</u>
2,878,450	2,108,723	8,675,952
10,930	36,034	1,344,811
98,445	80,473	339,332
<u>2,987,825</u>	<u>2,225,230</u>	<u>10,360,095</u>
2,543,071	3,042,734	7,605,717
42,513,922	44,986,151	145,708,812
<u>45,056,993</u>	<u>48,028,885</u>	<u>153,314,529</u>

CITY OF NAPLES, FLORIDA
Statement of Changes in Assets and Liabilities—Agency Funds
Year Ended September 30, 2016

	Balance October 1, 2015	Additions	Deductions	Balance September 30, 2016
Assets				
Cash	\$ 137	-	-	137
Total assets	<u>137</u>	<u>-</u>	<u>-</u>	<u>137</u>
Liabilities				
Accounts payable	137	-	-	137
Total liabilities	<u>\$ 137</u>	<u>-</u>	<u>-</u>	<u>137</u>

STATISTICAL SECTION (Unaudited)

This part of the City of Naples, Florida's comprehensive annual financial report presents detailed information as a

Contents	<u>Page</u>
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.	136
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.	146
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.	152
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.	158
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.	160
Sources: <i>Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.</i>	

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities					
Net investment in capital assets	\$ 47,347,136	52,934,188	48,868,221	47,101,732	47,910,235
Restricted	2,640,493	3,004,060	3,781,152	983,750	12,987,575
Unrestricted	42,830,226	39,230,791	42,765,131	45,710,635	33,134,491
Total governmental activities net assets	<u>\$ 92,817,855</u>	<u>95,169,039</u>	<u>95,414,504</u>	<u>93,796,117</u>	<u>94,032,301</u>
Business-type activities					
Net investment in capital assets	\$ 55,460,038	60,313,029	65,279,797	70,342,384	72,488,908
Restricted	3,218,517	2,566,664	2,693,838	3,122,630	4,070,440
Unrestricted	23,418,439	23,979,666	25,931,780	28,569,892	32,963,324
Total business-type activities net assets	<u>\$ 82,096,994</u>	<u>86,859,359</u>	<u>93,905,415</u>	<u>102,034,906</u>	<u>109,522,672</u>
Primary government					
Net investment in capital assets	\$ 102,807,174	113,247,217	114,148,018	117,444,116	120,399,143
Restricted	5,859,010	5,570,724	6,474,990	4,106,380	17,058,015
Unrestricted	66,248,665	63,210,457	68,696,911	74,280,527	66,097,815
Total primary government net assets	<u>\$ 174,914,849</u>	<u>182,028,398</u>	<u>189,319,919</u>	<u>195,831,023</u>	<u>203,554,973</u>

Fiscal Year				
2012	2013	2014	2015	2016
49,368,390	54,372,698	55,192,342	55,794,796	56,389,018
13,460,387	13,908,144	13,908,144	22,621,775	21,362,817
32,162,681	27,048,578	31,850,607	(2,227,579)	(2,990,374)
<u>94,991,458</u>	<u>95,329,420</u>	<u>100,951,093</u>	<u>76,188,992</u>	<u>74,761,461</u>
77,344,733	81,292,017	90,439,602	100,262,238	110,151,951
1,645,528	-	-	-	-
39,489,625	43,716,346	44,977,055	40,616,760	39,299,638
<u>118,479,886</u>	<u>125,008,363</u>	<u>135,416,657</u>	<u>140,878,998</u>	<u>149,451,589</u>
126,713,123	135,664,715	145,631,944	156,057,034	166,540,969
15,105,915	13,908,144	13,908,144	22,621,775	21,362,817
71,652,306	70,764,924	76,827,662	38,389,181	36,309,264
<u>213,471,344</u>	<u>220,337,783</u>	<u>236,367,750</u>	<u>217,067,990</u>	<u>224,213,050</u>

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Expenses					
Governmental activities					
General government	6,811,501 ^(a)	8,140,789	6,668,512	6,394,914	5,622,677
Public safety	22,691,091	24,409,251	25,633,909	25,616,678	23,957,097
Physical and economic environment	2,194,855	2,588,477	2,925,902	3,207,529	3,239,638
Transportation	4,010,530	3,394,912	3,520,363	3,715,335	3,553,288
Culture and recreation	7,978,079	8,584,195	7,733,570	7,243,542	6,850,817
Interest	904,623	830,822	1,033,650	955,784	443,739
Total governmental activities expenses	<u>44,590,679</u>	<u>47,948,446</u>	<u>47,515,906</u>	<u>47,133,782</u>	<u>43,667,256</u>
Business-type activities					
Water and sewer	22,354,201	23,625,071	24,816,306	24,334,032	24,300,280
Solid waste	5,652,827	5,835,401	5,501,931	5,366,770	5,497,576
Stormwater	1,431,858	1,833,201	2,088,938	2,458,129	2,642,191
Other enterprises	4,464,879	4,177,236	3,505,193	3,094,200	3,117,045
Total business-type activities	<u>33,903,765</u>	<u>35,470,909</u>	<u>35,912,368</u>	<u>35,253,131</u>	<u>35,557,092</u>
Total primary governmental expenses	<u>78,494,444</u>	<u>83,419,355</u>	<u>83,428,274</u>	<u>82,386,913</u>	<u>79,224,348</u>
Program Revenues (see Schedule 3)					
Governmental activities					
Charges for services					
General government	1,180,983	1,310,847	1,043,665	1,139,439	1,238,135
Public safety	4,424,734	4,492,028	3,571,827	3,631,525	3,803,409
Physical and economic environment	581,638	387,922	12,397	12,064	15,372
Transportation	69,719	74,884	-	6,618	3,942
Culture and recreation	1,028,100	881,822	819,228	840,364	751,480
Operating grants and contributions	3,041,688 ^(a)	2,633,209	2,978,768	3,190,239	2,909,353
Capital grants and contributions	1,830,543	2,350,214	1,202,496	425,002	294,062
Total governmental activities revenues	<u>12,157,405</u>	<u>12,130,926</u>	<u>9,628,381</u>	<u>9,245,251</u>	<u>9,015,753</u>
Business-type activities					
Water and sewer	22,933,821	25,299,408	28,219,062	28,303,440	29,055,653
Solid waste	6,046,768	6,369,866	6,294,650	6,089,265	5,974,018
Stormwater	1,418,188	2,890,146	4,467,178	4,422,225	4,538,097
Beach	916,767	917,236	1,071,798	1,046,660	1,125,781
Dock	2,003,808	1,767,944	1,078,547	1,067,358	1,298,741
Tennis	559,561	575,121	548,984	534,095	452,109
Operating grants and contributions	465,865	646,891	501,525	637,810	621,838
Capital grants and contributions	3,071,791	3,358,210	2,057,101	2,991,732	1,726,470
Total business-type activities	<u>37,416,569</u>	<u>41,824,822</u>	<u>44,238,845</u>	<u>45,092,585</u>	<u>44,792,707</u>
Total primary governmental revenues	<u>49,573,974</u>	<u>53,955,748</u>	<u>53,867,226</u>	<u>54,337,836</u>	<u>53,808,460</u>
Net Expense/Revenue					
Governmental activities	(32,433,274)	(35,817,520)	(37,887,525)	(37,888,531)	(34,651,503)
Business-type activities	3,512,804	6,353,913	8,326,477	9,839,454	9,235,615
Total primary government net expense	<u>(28,920,470)</u>	<u>(29,463,607)</u>	<u>(29,561,048)</u>	<u>(28,049,077)</u>	<u>(25,415,888)</u>

Fiscal Year				
2012	2013	2014	2015	2016
5,457,866	5,301,030	7,715,255	7,518,425	9,555,128
24,400,324	24,885,076	25,969,504	21,801,426	29,016,071
3,128,378	2,792,363	2,714,222	3,784,334	2,805,708
3,355,650	3,450,265	3,089,234	2,923,536	4,042,246
6,609,114	6,942,141	7,093,524	6,993,700	8,397,402
493,896	397,292	227,976	229,304	188,208
<u>43,445,228</u>	<u>43,768,167</u>	<u>46,809,715</u>	<u>43,250,725</u>	<u>54,004,763</u>
23,915,729	23,833,110	24,397,347	23,729,514	24,213,406
5,275,918	5,489,089	6,011,637	6,092,583	6,481,079
2,463,801	3,064,173	3,088,139	3,174,847	3,504,651
3,377,075	3,474,163	3,822,843	3,552,923	4,140,463
<u>35,032,523</u>	<u>35,860,535</u>	<u>37,319,966</u>	<u>36,549,867</u>	<u>38,339,599</u>
<u>78,477,751</u>	<u>79,628,702</u>	<u>84,129,681</u>	<u>79,800,592</u>	<u>92,344,362</u>
837,202	874,008	3,724,592	3,358,243	3,475,764
4,792,576	4,506,478	4,940,975	5,646,699	5,227,047
15,788	16,009	17,616	-	10,000
-	31,210	104,501	65,948	65,379
751,862	802,130	3,185,180	2,636,165	1,012,252
2,631,903	2,803,204	4,140,006	3,416,843	3,492,964
927,761	352,732	779,103	936,341	501,211
<u>9,957,092</u>	<u>9,385,771</u>	<u>16,891,973</u>	<u>16,060,239</u>	<u>13,784,617</u>
28,262,634	28,747,954	32,117,638	29,614,711	30,730,431
5,827,277	5,876,369	6,102,494	5,850,216	6,124,348
4,563,918	4,651,910	5,039,675	4,296,017	4,558,685
1,117,695	1,086,099	1,209,986	1,261,081	1,754,058
1,512,844	1,649,255	1,785,141	1,635,024	1,530,363
417,161	474,559	531,792	568,002	591,145
635,642	556,850	784,245	2,067,866	1,211,932
3,507,039	1,388,630	1,835,613	3,664,105	1,998,774
<u>45,844,210</u>	<u>44,431,626</u>	<u>49,406,584</u>	<u>48,957,022</u>	<u>48,499,736</u>
<u>55,801,302</u>	<u>53,817,397</u>	<u>66,298,557</u>	<u>65,017,261</u>	<u>62,284,353</u>
(33,488,136)	(34,382,396)	(29,917,742)	(27,190,486)	(40,220,146)
10,811,687	8,571,091	12,086,618	12,407,155	10,160,137
<u>(22,676,449)</u>	<u>(25,811,305)</u>	<u>(17,831,124)</u>	<u>(14,783,331)</u>	<u>(30,060,009)</u>

(Continued)

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

	Fiscal Year				
	2007	2008	2009	2010	2011
General Revenues and Other					
Changes in Net Position					
Governmental activities					
Taxes					
Property taxes	20,779,629	19,415,799	19,729,516	19,418,905	17,872,322
Local communication and utility taxes	4,218,208	4,170,227	4,476,921	4,846,484	5,208,481
Insurance premium tax ^(a)	1,769,045	1,949,641	2,016,132	1,440,033	1,319,318
Motor fuel taxes	1,532,580	1,404,690	1,393,025	1,396,616	1,386,067
Business taxes	278,694	274,487	247,021	270,748	243,716
Franchise fees	3,877,556	3,740,236	3,971,657	3,498,659	3,474,511
Intergovernmental revenues, unrestricted	3,449,606	3,160,311	2,863,565	2,825,967	2,847,318
Unrestricted investment earnings	2,858,980	2,043,294	1,345,826	542,317	371,937
Miscellaneous revenues	129,518	45,489	17,461	44,415	171,799
Gain on sale of capital assets	-	-	88,496	-	4,718
Transfers	1,763,380	1,964,530	1,983,370	1,986,000	1,987,500
Total governmental activities	<u>40,657,196</u>	<u>38,168,704</u>	<u>38,132,990</u>	<u>36,270,144</u>	<u>34,887,687</u>
Business-type activities					
Investment earnings	1,333,466	831,090	566,730	258,101	186,018
Gain on sale of capital assets	29,527	-	136,219	17,936	53,633
Special item	-	(458,108)	-	-	-
Transfers	(1,763,380)	(1,964,530)	(1,983,370)	(1,986,000)	(1,987,500)
Total business-type activities	<u>(400,387)</u>	<u>(1,591,548)</u>	<u>(1,280,421)</u>	<u>(1,709,963)</u>	<u>(1,747,849)</u>
Total primary government	<u>40,256,809</u>	<u>36,577,156</u>	<u>36,852,569</u>	<u>34,560,181</u>	<u>33,139,838</u>
Change in Net Position					
Governmental activities	8,223,922	2,351,184	245,465	(1,618,387)	236,184
Business-type activities	3,112,417	4,762,365	7,046,056	8,129,491	7,487,766
Total primary government	<u>11,336,339</u>	<u>7,113,549</u>	<u>7,291,521</u>	<u>6,511,104</u>	<u>7,723,950</u>

^(a) Prior years had these amounts recorded only in the Police/Fire Pension Funds

Fiscal Year				
2012	2013	2014	2015	2016
17,390,742	17,330,532	18,539,883	19,523,088	21,163,455
5,574,086	5,977,860	5,241,319	5,391,177	5,436,983
1,354,027	1,324,166	1,412,980	1,272,757	1,191,342
1,397,806	1,367,212	1,190,133	1,167,932	1,226,385
264,110	255,890	269,562	215,039	304,435
3,361,560	3,299,823	3,579,771	3,553,455	3,451,036
2,807,044	2,952,946	3,158,266	3,332,872	3,440,243
238,259	175,612	232,811	543,147	524,052
19,273	50,070	34,155	-	-
26,776	-	1,655	159,891	34,584
2,013,610	2,054,280	1,878,880	4,138,060	2,020,100
<u>34,447,293</u>	<u>34,788,391</u>	<u>35,539,415</u>	<u>39,297,418</u>	<u>38,792,615</u>
153,699	90,583	200,556	420,063	432,554
5,438	-	-	-	-
-	-	-	-	-
(2,013,610)	(2,054,280)	(1,878,880)	(4,138,060)	(2,020,100)
<u>(1,854,473)</u>	<u>(1,963,697)</u>	<u>(1,678,324)</u>	<u>(3,717,997)</u>	<u>(1,587,546)</u>
<u>32,592,820</u>	<u>32,824,694</u>	<u>33,861,091</u>	<u>35,579,421</u>	<u>37,205,069</u>
959,157	405,995	5,621,673	12,106,932	(1,427,531)
8,957,214	6,607,394	10,408,294	8,689,158	8,572,591
<u>9,916,371</u>	<u>7,013,389</u>	<u>16,029,967</u>	<u>20,796,090</u>	<u>7,145,060</u>

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

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

Fiscal Year				
2012	2013	2014	2015	2016
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
487,435	425,592	725,388	643,305	33,940
13,791	13,791	13,791	-	-
3,515,091	3,597,298	3,597,298	3,597,298	3,507,279
11,765	293,132	293,132	275,909	41,363
15,541,877	10,582,398	11,439,262	14,030,183	16,356,280
<u>19,569,959</u>	<u>14,912,211</u>	<u>16,068,871</u>	<u>18,546,695</u>	<u>19,938,862</u>
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
455,198	400,565	390,271	294,674	38,524
13,446,596	13,487,529	15,818,513	22,621,775	21,362,817
2,927,725	3,167,293	3,196,870	3,239,337	3,001,368
6,758,559	6,083,658	5,962,952	4,412,135	5,297,819
(571,667)	(603,061)	240,769	(157,009)	-
<u>23,016,411</u>	<u>22,535,984</u>	<u>25,609,375</u>	<u>30,410,912</u>	<u>29,700,528</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues					
Taxes	\$ 32,177,018 ^(a)	27,214,844	27,862,615	27,372,786	26,029,904
Licenses, permits, fees and assessments	3,717,384 ^(a)	6,953,495 ^(b)	6,856,060	6,072,977	6,655,012
Intergovernmental	7,883,654	7,761,199	5,856,457	6,038,913	5,236,599
Charges for services	2,373,059	2,327,605	2,020,389	2,045,248	1,908,981
Charges to other funds	3,966,100	4,165,504	4,093,450	3,720,709	3,720,708
Fines and forfeitures	374,950	405,342	338,037	254,385	232,575
Impact fees/special assessments	424,364	366,627 ^(b)	-	-	-
Interest	2,603,304	1,806,496	1,216,224	492,471	336,484
Contributions	59,716	62,715	83,101	211,302	258,985
Miscellaneous	153,338	73,568	115,701	75,544	177,621
Total revenues	<u>53,732,887</u>	<u>51,137,395</u>	<u>48,442,034</u>	<u>46,284,335</u>	<u>44,556,869</u>
Expenditures					
General government	9,591,067	11,377,879	9,688,213	8,620,881	8,307,238
Public safety	21,481,323	23,479,974	24,792,638	23,680,724	22,062,961
Physical and economic environment	1,579,013	1,813,934	1,775,115	2,024,380	1,945,948
Transportation	2,820,205	2,046,296	2,116,889	2,246,827	2,191,327
Culture and recreation	6,313,097	6,920,107	5,996,861	5,433,931	5,302,802
Capital outlay	6,768,798	9,542,548	7,053,867	2,303,468	2,830,919
Debt service					
Principal	1,070,000	1,125,000	1,497,000	1,612,000	2,222,000
Interest and fiscal charges	907,878	831,434	1,066,519	957,917	589,568
Total expenditures	<u>50,531,381</u>	<u>57,137,172</u>	<u>53,987,102</u>	<u>46,880,128</u>	<u>45,452,763</u>
Excess (deficit) of revenues over (under) expenditures	<u>3,201,506</u>	<u>(5,999,777)</u>	<u>(5,545,068)</u>	<u>(595,793)</u>	<u>(895,894)</u>
Other Financing Sources (Uses)					
Debt issued	-	-	6,860,000	-	17,094,000
Payments to escrow agents	-	-	-	-	(8,285,998)
Payments to current refund debt	-	-	-	-	(10,186,000)
Transfers in	5,944,576	4,720,949	12,714,292	5,766,183	5,705,136
Transfers out	(4,181,196)	(2,756,419)	(10,818,965)	(3,780,183)	(3,762,476)
Sale of capital assets	27,448	-	136,304	23,888	36,953
Total other financing sources (uses)	<u>1,790,828</u>	<u>1,964,530</u>	<u>8,891,631</u>	<u>2,009,888</u>	<u>601,615</u>
Net change in fund balance	<u>\$ 4,992,334</u>	<u>(4,035,247)</u>	<u>3,346,563</u>	<u>1,414,095</u>	<u>(294,279)</u>
Debt service as a percentage of noncapital expenditures	4.5%	4.1%	5.5%	5.8%	6.6%

Note: ^(a) In 2008, franchise fees were reclassified from taxes to licenses, permits and fees. 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.

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

Fiscal Year				
2012	2013	2014	2015	2016
25,980,772	26,255,660	26,653,877	27,569,993	29,322,600
7,539,226	7,179,183	10,397,768	9,150,495	8,672,904
5,174,417	5,152,801	5,556,664	6,077,175	6,326,123
2,131,943	1,802,160	1,811,398	1,900,592	1,943,443
3,681,838	3,597,960	3,358,100	3,285,250	3,179,420
461,537	418,614	195,349	258,806	464,904
-	-	-	-	-
214,851	170,743	199,770	439,445	421,531
204,116	115,262	2,342,947	2,069,470	108,355
9,273	255,225	35,463	57,067	67,045
<u>45,397,973</u>	<u>44,947,608</u>	<u>50,551,336</u>	<u>50,808,293</u>	<u>50,506,325</u>
8,130,338	8,421,621	8,249,859	8,033,054	8,374,046
23,192,344	23,731,367	24,418,391	24,676,027	25,827,354
1,776,115	1,357,378	1,341,014	1,257,343	1,371,443
2,069,396	2,298,904	2,072,385	2,193,710	3,153,133
5,189,194	5,567,331	5,855,186	5,792,279	7,204,332
5,193,871	7,381,848	4,537,516	5,223,589	4,354,195
1,844,000 ^(c)	3,056,000	1,489,000	1,468,000	1,516,000
445,242	333,221	177,679	182,882	139,308
<u>47,840,500</u>	<u>52,147,670</u>	<u>48,141,030</u>	<u>48,826,884</u>	<u>51,939,811</u>
<u>(2,442,527)</u>	<u>(7,200,062)</u>	<u>2,410,306</u>	<u>1,981,409</u>	<u>(1,433,486)</u>
- ^(c)	13,830,000	-	-	-
-	(13,793,951)	-	-	-
-	-	-	-	-
6,396,488	7,032,679	5,819,706	12,820,232	7,354,699
(4,382,878)	(5,037,219)	(4,010,826)	(7,682,172)	(5,334,599)
27,917	30,378	10,865	159,891	95,169
<u>2,041,527</u>	<u>2,061,887</u>	<u>1,819,745</u>	<u>5,297,951</u>	<u>2,115,269</u>
<u>(401,000)</u>	<u>(5,138,175)</u>	<u>4,230,051</u>	<u>7,279,360</u>	<u>681,783</u>
5.4%	7.6%	3.9%	3.7%	3.4%

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

Fiscal Year	Property	Utility and Communication	Franchise Fees	Fuel Taxes	Sales and Use	Other	Total
2007	\$ 20,779,629	4,218,209	3,877,556	1,532,580	2,455,218	2,763,432	35,626,624
2008	19,415,799	4,170,227	3,740,236	1,404,690	2,196,319	2,913,633	33,840,904
2009	19,729,516	4,476,921	3,971,657	1,393,025	1,927,205	2,263,153	33,761,477
2010	19,418,905	4,846,484	3,498,659	1,396,616	1,896,824	2,535,655	33,593,143
2011	17,872,322	5,208,481	3,474,511	1,386,067	1,911,574	2,487,454	32,340,409
2012	17,390,742	5,574,086	3,361,560	1,397,806	1,875,396	1,618,137	31,217,727
2013	17,330,532	5,977,860	3,299,823	1,367,212	2,006,377	1,580,056	31,561,860
2014	18,239,883	5,541,318	3,579,771	1,190,133	2,204,960	1,682,542	32,438,607
2015	19,523,089	5,391,177	3,553,455	1,167,932	2,349,564	1,487,795	33,473,012
2016	21,163,444	5,436,983	3,451,036	1,226,385	2,443,233	1,495,788	35,216,869
Change 2007-2016	1.8%	28.9%	-11.0%	-20.0%	-0.5%	-45.9%	-1.2%

Source: City of Naples Finance Department

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

Fiscal Year	Real Property	Personal Property	Less Net New Taxable Value	Adjusted Total Taxable Value (for roll back)	Final Taxable Value	Total Direct Tax Rate	Market/Just Value	Actual Taxable Value as a Percentage of Market/Just Value
2006-07	\$ 16,264,603,707	376,100,345	275,696,496	16,365,007,556	16,533,125,948	1.2815	21,802,038,544	75.1%
2007-08	17,086,194,348	386,182,053	410,638,803	17,061,737,598	17,456,888,406	1.1347	22,486,719,099	75.9%
2008-09	16,903,766,419	400,795,472	342,706,664	16,961,855,227	17,246,749,629	1.1663	21,642,182,442	78.4%
2009-10	15,962,605,246	421,136,474	311,015,976	16,072,725,744	16,287,802,409	1.2175	19,738,257,718	81.4%
2010-11	14,627,069,353	419,030,702	185,960,906	14,860,139,149	14,976,570,653	1.2195	17,719,816,637	83.9%
2011-12	14,232,284,825	356,269,561	106,264,047	14,482,290,339	14,557,352,859	1.2226	17,046,390,756	85.0%
2012-13	14,642,097,786	354,038,345	127,383,048	14,868,753,083	14,982,785,178	1.1800	17,730,212,166	83.9%
2013-14	15,469,458,476	355,090,471	185,411,425	15,639,137,522	15,813,172,702	1.1800	18,964,343,443	82.5%
2014-15	16,549,429,908	365,538,552	238,579,023	16,676,389,437	16,915,260,543	1.1800	20,669,042,253	80.7%
2015-16	17,982,866,222	336,010,949	222,286,865	18,096,590,306	18,318,354,095	1.1800	23,247,294,157	77.8%

Source: Collier County Tax Appraiser

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

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

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

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

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

Fiscal Year	City Millage Rates			Overlapping Rates*		
	Operating Rate	General Obligation Debt Service	City Total	Mosquito Control	Collier County	Water Pollution Control
2007	1.2450	0.0365	1.2815	0.0680	3.5790	0.0320
2008	1.0997	0.0350	1.1347	0.0635	3.1469	0.0280
2009	1.1315	0.0348	1.1663	0.0635	3.4221	0.0293
2010	1.1800	0.0375	1.2175	0.0720	3.5938	0.0293
2011	1.1800	0.0395	1.2195	0.0826	3.5645	0.0293
2012	1.1800	0.0426	1.2226	0.0934	3.5645	0.0293
2013	1.1800	0.0000	1.1800	0.1102	3.5645	0.0293
2014	1.1800	0.0000	1.1800	0.1050	3.5645	0.0293
2015	1.1800	0.0000	1.1800	N/A	3.5645	0.0293
2016	1.1800	0.0000	1.1800	N/A	3.5645	0.0293

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

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

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

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

Overlapping Rates*

Conservation Collier	School Board	South Water Management	Combined Total
0.2500	5.5250	0.5266	11.4121
0.2242	5.3510	0.4814	10.5797
0.2500	4.9090	0.4814	10.4716
0.2500	5.2390	0.4814	10.8830
0.2500	5.6990	0.4814	11.3263
0.2500	5.5270	0.3418	11.0286
0.2500	5.5760	0.3390	11.0490
0.0000	5.6900	0.3278	10.8966
0.0000	5.5800	0.3097	10.6635
0.0000	5.8418	0.2695	10.8851

**Schedule 8
City of Naples
Principal Property Tax Payers,
As of September 30, 2016**

	2016			2007		
	Taxable Assessed values	Rank	% of total City of Naples assessed values	Taxable Assessed values	Rank	% of total City of Naples assessed values
Top 10 City of Naples Taxpayers						
The Moorings, Inc.	\$ 125,859,415	1	0.70%			
Florida Power & Light	122,532,407	2	0.68%	96,850,873	1	0.59%
Coastland Center, LLC	69,848,321	3	0.39%	82,253,300	2	0.50%
Westbury Properties, Inc.	51,324,593	4	0.28%	33,004,842	4	0.20%
2500 Gordon Drive LLC	46,196,907	5	0.26%			
Sandra Gerry	46,182,657	6	0.26%	42,560,625	3	0.26%
Randall D Bellestri Liv Trust	42,976,024	7	0.24%			
Harold Square Land Trust	35,006,308	8	0.19%			
Montana Realty Company, LLC	32,098,972	9	0.18%			
Linda Buonanno Trust	34,375,508	10	0.19%	23,072,419	10	
Panthers RPN Limited				32,796,761	5	0.20%
Embarq Corporation				28,152,610	6	0.17%
Naples Hospitality Ltd Partnership				28,054,850	7	0.17%
Centro Heritage Park Shore				24,473,982	8	0.15%
Judith Herb Trust				23,568,915	9	0.14%
	<u>\$ 606,401,112</u>		<u>3.35%</u>	<u>414,789,177</u>		<u>2.53%</u>
Total City of Naples Assessed Value	\$ 18,096,590,306			16,365,007,556		

Sources: Collier County Property Appraiser and 2006 CAFR Certificate of Taxable Value/TRIM

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

Fiscal Year Ended Sept. 30	Taxes Levied for the Fiscal Year (1)	Current Collections		Delinquent Collections (2)	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2007	\$ 21,488,943	20,751,659	96.6%	13,985	20,765,644	96.6%
2008	20,093,536	19,380,396	96.5%	13,308	19,393,704	96.5%
2009	20,402,060	19,722,046	96.7%	7,470	19,729,516	96.7%
2010	19,589,041	19,407,423	99.1%	11,482	19,418,905	99.1%
2011	17,989,673	17,849,758	99.2%	22,564	17,872,322	99.3%
2012	17,439,047	17,308,627	99.3%	82,115	17,390,742	99.7%
2013	17,927,260	17,242,814	96.2%	87,718	17,330,532	96.7%
2014	18,921,717	18,162,559	96.0%	77,324	18,239,883	96.4%
2015	19,959,663	19,117,239	95.8%	140,408	19,257,648	96.5%
2016	21,616,275	21,139,944	97.8%	23,512	21,163,456	97.9%

Sources: (1) DR 420 MM Line 22

Note: (2) From City of Naples Finance Department

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

Fiscal Year	Government Activities				Business-type Activities		
	General Obligation Bonds	Public Service Tax Bonds	Redevelopment and Refunding Bonds	Capital Improvement Note	Water Bonds/Loans	Storm-water Loans	Non major Bonds
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
2013	-	-	-	13,025,000	21,586,406	1,773,821	140,000
2014	-	-	-	11,536,000	19,210,230	1,465,201	80,000
2015	-	-	-	10,068,000	17,442,467	1,152,770	20,000
2016	-	-	-	8,552,000	14,602,609	1,159,674	-

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)
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
36,525,227	2.17%	436
32,291,431	1.96%	403
28,683,237	1.61%	339
24,314,283	1.25%	274

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)
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
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. The only general obligation debt was paid off in 2013.

Schedule 12
City of Naples
Direct and Overlapping Governmental Activities Debt
As of September 30, 2016

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Naples Direct Debt			
Capital Improvement Note	\$ 8,552,000	100%	<u>8,552,000</u>
Total direct debt			<u>8,552,000</u>
Overlapping debt ^(a)			
Collier County (b)	519,232,265	20%	<u>119,423,421</u>
Total direct and overlapping debt			<u>119,423,421</u>
			<u>\$ 127,975,421</u>

Sources: Collier County Comprehensive Annual Financial Report Schedules

Notes (a) The City of Naples is not responsible for the Overlapping Debt. The applicable percentage was estimated using assessed property values.

Overlapping governments are those that coincide, at least in part with the geographic boundaries of the City
(b) Collier County debt outstanding as of September 30, 2015.

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		
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
2013	28,747,954	23,462,275	5,285,679	1,043,132		5.07
2014	32,117,638	24,066,181	8,051,457	2,809,207		2.87
2015	29,614,711	23,455,937	6,158,774	2,899,468		2.12
2016	30,730,431	24,010,994	6,719,437	2,899,045		2.32

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

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

Utility Tax Revenue Bonds				Tax Increment Revenue Bonds			
Utility Tax Collections	Debt Service		Coverage	Tax Increment Revenue	Debt Service		Coverage
	Principal	Interest			Principal	Interest	
3,877,556	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)
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

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

Calendar Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Income	Median Age	County School Enrollment	Unemployment Rate (June)
2007	23,101	1,327,060	71,033	62.4	42,062	4.3%
2008	22,556	1,393,690	79,315	63.0	41,666	8.2%
2009	21,651	1,369,989	76,708	62.5	42,786	11.5%
2010	22,390	1,368,953	75,910	63.8	42,098	11.7%
2011	19,537	1,462,579	74,862	63.9	42,430	11.0%
2012	19,939	1,641,299	82,316	64.2	43,238	9.0%
2013	20,115	1,685,597	83,798	64.3	43,789	7.5%
2014	20,537	1,646,164	80,156	64.0	44,415	5.9%
2015	20,968	1,776,430	84,721	64.0	45,995	4.9%
2016	21,898	1,940,338	88,608	64.6	47,225	4.8%

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

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

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

Employer	2016			2007		
	Employees (1)	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Collier County Public Schools	7,041	1	25.4%	5,701	1	34.3%
NCH Healthcare System	7,000	2	25.2%	3,800	3	22.9%
Publix Supermarkets	6,968	3	25.1%	-	-	-
Collier County Government	1,600	4	5.8%	3,890	2	23.4%
Marriott Corporation, Inc. (Ritz Carlton)	1,100	5	4.0%	870	4	5.2%
The County Club of Naples	1,050	6	3.8%	-	-	-
Collier County Sheriff	1,029	7	3.7%	-	-	-
The Moorings	754	8	2.7%	-	-	-
Naples Grande Beach Resort	700	9	2.5%	800	5	4.8%
Fifth-Third Bank	500	10	1.8%	-	-	-
City of Naples	-	-	-	515	6	3.1%
Naples Beach and Tennis	-	-	-	482	7	2.9%
Collier County Health Dept	-	-	-	217	8	1.3%
Allen Systems Group	-	-	-	200	9	1.2%
Willsonmiller, Inc.	-	-	-	150	10	0.9%
Estimated Total	<u>27,742</u>		<u>100.0%</u>	<u>16,625</u>		<u>100.0%</u>

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

Notes (1): 2015 numbers reflected, 2016 numbers unavailable

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

Function/Program	Fiscal Year					
	2007	2008	2009	2010	2011	2012
General Fund						
Mayor and Council	1.0	1.0	1.0	1.0	1.0	1.0
City Clerk	8.0	8.0	8.0	6.0	6.0	6.0
City Attorney	1.0	1.0	1.0	1.0	1.0	1.0
City Manager	4.0	4.0	7.0	6.7	8.9	8.9
Human Resources	7.0	7.0	6.0	5.0	4.0	4.0
Planning and Code Enforcement	10.0	10.0	5.0	5.0	4.0	3.5
Finance	21.8	21.8	21.8	19.8	19.8	18.8
Community Services	47.5	45.5	36.0	30.0	41.0	40.0
Police	111.7	111.7	109.7	104.4	98.4	98.4
Fire	61.0	61.0	61.0	61.0	63.0	63.0
Non-departmental	12.0	12.0	12.0	11.0	(b)	(b)
Water and Sewer Fund	96.0	100.0	95.0	98.0	97.0	98.0
Solid Waste Fund	29.0	29.0	28.0	24.0	25.5	25.5
Streets and Traffic Fund	5.5	5.5	7.5	7.5	7.5	7.5
Stormwater Fund	5.5	6.0	5.5	6.0	6.0	6.0
City Dock Fund	5.0	5.0	4.0	3.0	2.6	3.6
Tennis Fund	4.0	4.0	4.0	4.0	4.0	4.0
Beach Fund	14.3	13.8	12.8	12.8	13.0	12.0
Technology Services Fund	11.0	11.0	10.0	10.0	10.0	10.0
Equipment Services Fund	11.0	11.0	10.0	8.5	8.5	8.5
Risk Management Fund	2.0	2.0	1.0	1.0	1.0	1.0
Building Permit Fund	28.0	27.0	26.0	17.5	17.5	18.0
Community Redevelopment	9.0	9.0	9.0	8.3	8.3	6.3
Construction Management	8.0	8.0	(a)	(a)	(a)	(a)
TOTAL EMPLOYEES	513.3	514.3	481.3	451.5	448.0	445.0

Source: City of Naples Budget Document

Notes: (a) Fund eliminated in 2009.

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

Fiscal Year			
2013	2014	2015	2016
1.0	1.0	1.0	1.0
6.0	6.0	6.0	6.0
1.0	1.0	1.0	1.0
5.9	5.9	5.9	4.9
4.0	4.0	4.0	4.0
3.5	3.5	3.5	3.5
17.8	13.8	13.8	13.8
40.5	40.5	40.5	40.5
98.4	98.4	98.4	98.4
63.0	63.0	63.0	63.0
(b)	(b)	(b)	(b)
99.0	103.0	103.0	104.0
25.5	25.5	25.5	26.0
6.1	5.5	5.5	5.5
10.4	10.0	11.0	11.0
3.6	3.6	3.6	3.6
4.0	4.0	4.0	4.0
12.0	13.0	13.2	13.2
10.0	8.0	7.0	7.0
8.5	8.5	8.5	8.5
1.0	1.0	1.0	1.0
23.8	28.0	30.0	36.5
6.3	6.3	6.3	6.3
(a)	(a)	(a)	(a)
451.3	453.5	455.7	462.7

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

Function/Program	Fiscal Year					
	2007	2008	2009	2010	2011	2012
General government						
Commercial permits issued	247	280	268	237	182	285
Residential permits issued	1,317	1,164	1,994	828	961	1,267
Police						
Physical arrests	875	965	3,164	658	465	1,111
Parking violations	14,253	14,439	15,105	15,985	14,351	15,107
Traffic violations	9,706	9,843	11,087	7,601	5,641	8,168
Fire						
Emergency responses	4,490	4,437	4,810	4,423	4,812	4,839
Fires extinguished	54	49	70	61	97	96
Inspections	6,510	6,427	5,200	8,412	6,557	7,882
Refuse collection						
Refuse (tons per day)	124	114	119	101	103	153
Recyclables (tons per day)	13	15	14	10	12	17
Other public works						
Street resurfacing (miles)	2	15	11	9	9	5
Potholes repaired ^(a)	72	75	59	73	98	77
Parks and recreation						
Special events, participants ^(b)	675	712	759	980	3,501	3,550
Beach parking permits issued ^(c)	22,329	20,410	15,921	N/A	N/A	5,560
Camps, Classes, participants ^(d)	883	897	943	850	876	4,510
Water						
New connections	133	116	109	70	93	172
Water main breaks	21	22	68	16	12	16
Average daily consumption (millions of gallons)	15.3	15.3	16.0	14.7	15	14
Peak daily consumption (millions of gallons)	23.3	21.2	20.4	19.2	18	19
Wastewater						
Average daily sewage treatment (thousands of gallons)	7,135	6,673	6,720	6,330	5,852	5,688

Sources: Various City Departments

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

Fiscal Year			
2013	2014	2015	2016
225	144	143	144
1,229	1,133	1,124	1,228
758	634	575	579
12,906	12,778	11,271	8,181
6,767	5,489	5,989	6,133
4,901	5,217	5,539	6,804
69	98	96	70
7,761	7,299	7,589	8,066
131	119	92	129
19	21	28	29
5	4.25	4.26	10.00
72	63	82	44
3,640	3,812	3,760	2,717
6,590	6,802	5,249	5,802
5,350	5,531	11,066	16,773
171	226	201	169
21	14	17	13
13.5	14.3	13.8	14.0
17.8	19	18	17
5,680	5,225	4,800	5,100

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

Function/Program	Fiscal Year					
	2007	2008	2009	2010	2011	2012
Police						
Number of employees	124	115	110	104	98	104
Total Police Incidents Handled	60,908	58,658	55,580	48,192	57,602	66,622
Fire stations	3	3	3	3	3	3
Refuse collection trucks	27	25	24	25	25	25
Other public works						
Streets (miles)	106	106	108	108	108	110
Streetlights	2,371	2,371	2,375	2,390	2,390	3,006
Traffic signals	47	47	44	44	44	42
Parks and recreation						
Swimming pools	1	1	1	1	1	1
Community centers	3	3	3	3	3	3
Pier	1	1	1	1	1	1
Dock	1	1	1	1	1	1
Water						
Active accounts	17,723	17,717	17,781	16,495	16,545	16,684
Plants	1	1	1	1	1	1
Capacity per day (millions of gallons)	30	30	30	30	30	30
Sewer						
Active accounts	8,647	8,645	9,052	8,814	9,253	8,951
Plants	1	1	1	1	1	1
Capacity per day (millions of gallons)	10	10	10	10	10	10

Sources: Various City departments

Fiscal Year			
2013	2014	2015	2016
103	103	103	96
68,988	65,968	67,193	83,774
3	3	3	3
25	25	25	25
112	112	112	112
3,006	3,006	3,006	3,006
42	42	42	40
1	1	1	1
3	3	3	3
1	1	1	1
1	1	1	1
16,791	16,943	17,078	17,244
1	1	1	1
30	30	30	30
8,895	8,812	8,820	9,037
1	1	1	1
10	10	10	10

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Naples, Florida (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Management Letter, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Management Letter as Finding 2016-001 to be a material weakness.

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*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Management Letter. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bradenton, Florida
March 7, 2017



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Naples, Florida (the "City"), as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 7, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 7, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report as findings 2015-001 and 2015-002 were corrected during the current year and are not repeated in this year's report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Naples, Florida was incorporated in 1923. Additional information on the City's creation and the City's component units is disclosed within the City's footnotes.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes. Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

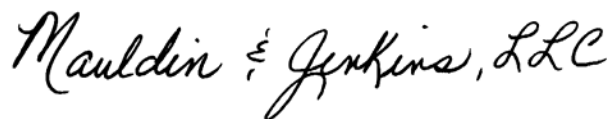
Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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



Bradenton, Florida
March 7, 2017

Current Year Audit Findings and Recommendations

2016-001 Audit Adjustments

Criteria: To ensure that financial statements properly present the financial position and results of operations of the City in accordance with generally accepted accounting principles (GAAP), in addition to providing meaningful financial reports to City Council and management, the City should reconcile the general ledger accounts to subsidiary ledgers and other supporting documentation on a monthly basis. Additionally, reconciliations should be reviewed by management to ensure proper preparation of reconciliations, and that balance sheet accounts are properly supported. The benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Condition: Our audit procedures disclosed that significant adjusting journal entries were required to properly report prepaid expenditures and capital assets. Adjustments to decrease prepaid expenditures in the General Fund by \$345,823 and adjustments to increase capital assets by \$1,401,866 in the Stormwater Fund, increase capital assets by \$194,678 in the Internal Service Funds, and decrease capital assets by \$796,602 in the Water and Sewer Fund were required to be made to ensure proper financial statement presentation.

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

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

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

Management's Response:

The City has evaluated year-end processes. Monthly reconciliation of some subsidiary ledgers, such as capital or pension annual report is impractical for the former, and impossible for the latter. However, regarding the adjustment to decrease the prepaid \$345,823, we concur with the advice. This entry relates directly with the pension administrator's Annual Financial Report. The Finance department must review the annual financial pension report and make the required entry at year end and prior to delivering the trial balance detail to the auditors for review. This year it was missed.

Regarding the Capital Asset adjustments, we concur. The accounting team recognizes that all entries must be on the trial balance when delivered to the auditors. The primary problem was the Central Avenue construction project, which was a continuous moving target at year end. Staff delayed the decision whether to record as an asset or as a construction in progress.

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INDEPENDENT AUDITOR'S REPORT

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

We have examined the City of Naples, Florida's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

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

Bradenton, Florida
March 7, 2017