

# City of Naples, Florida



## Comprehensive Annual Financial Report

**For the Year Ended September 30, 2018**

**THE CITY OF NAPLES, FLORIDA**  
Comprehensive Annual Financial Report  
For the Year Ended September 30, 2018  
(With Independent Auditor's Report Thereon)

Prepared By:  
FINANCE DEPARTMENT

# City of Naples

September 30, 2018



## Principal Officers

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

Bill Barnett  
Gary Price  
Reg Buxton  
Terry Hutchison  
Michelle McLeod  
Linda Penniman  
Ellen Seigel

City Manager  
City Clerk  
City Attorney

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

## Department Directors

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

Roger Reinke  
Craig Mole'  
Dana A. Souza  
Ann Marie S. Ricardi  
Pete DiMaria  
Denise K. Matson  
Robin D. Singer  
Thomas Weschler  
Gregg Strakaluse  
Brian Dye  
Robert H. Middleton

**CITY OF NAPLES, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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## *City of Naples*

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March 13, 2019

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, 2018, is hereby submitted. This Annual Report was prepared by the Finance Department, and is in compliance with Florida Statutes Chapter 218.39, Chapter 10.550, of the Rules of the Auditor General of the State of Florida, and Section 2-601 of the City Code of Ordinances.

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

The City’s basic financial statements have been audited by Maudlin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2018, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year ended September 30, 2018, 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 is abundant while most roadway medians are wide and well landscaped. Naples is one of the few Florida communities that offer adequate public access to beaches. Beachfront property is almost exclusively residential zoning; commercial uses are focused along U.S. 41 and in a number of upscale shopping districts within the community.

Naples is a multifaceted community where the many residential opportunities include beachfront mansions, canal frontage manors, downtown villas, bungalows, and high-rise condominiums, disbursed between a cohesive blend of both older and newer developments. Naples commerce has numerous shopping enclaves and venues such as the redeveloped and bustling Naples Bay which is directly adjacent to, and serves as a gateway for, a charming and successful downtown business and arts district.

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

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

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

<b>Member</b>	<b>Term Ends</b>
Bill Barnett, Mayor	February 2020
Gary Price	February 2022
Reg Buxton	February 2020
Terry Hutchison	February 2022
Michelle McLeod	February 2020
Linda Penniman-Vacated 1/23/2019	February 2022
Ellen Seigel	February 2020

Vacated Council seat will be filled by Special Election on April 2, 2019.

The City Council appoints the City Manager, who is the Chief Administrative Officer of the City. The City Manager hires all other City employees, except the City 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, and served in that capacity until December 2, 2018. Charles T. Chapman IV was appointed City Manager effective December 3, 2018.

### **The Reporting Entity and its Services**

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

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

The Community Redevelopment Agency is a dependent special district and presented as a blended component unit of this reporting entity. Ordinance #94-7099 created the Community Redevelopment Agency for the rehabilitation, conservation or redevelopment of the designated district. The tax increment from Collier County and the City provides the source of revenue for the Community Redevelopment Agency.

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

### ***Accounting System and Budgetary Control***

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

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

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

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

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

The adopted budget may be amended in two ways.

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

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

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

## **Factors Affecting Financial Condition**

### ***Local Economy***

Fiscal year 2017-2018 represented the sixth year of taxable value growth in the City. The taxable values increased by 7.7% for the fiscal year 2017-2018, following a 10.4% growth in fiscal year 2016-2017. The subsequent growth for fiscal year 2018-2019 (September 2018) of 5.9% projects continued stability. With more than half of the City's General Fund revenue coming from the taxable values, values and growth rates must be monitored for potential unsustainable growth patterns. While the pace of growth has slowed in the last three years there, is no signs of a complete reversal as experienced a decade ago.

Despite the City nearing build-out, a significant amount of redevelopment is occurring. The City has maintained a high-quality infrastructure system of transportation, stormwater management, potable (drinking) water and waste water and public safety, all which tends to be less visible than the quality of life amenities, such as parks, recreation, entertainment, and cultural opportunities, although they all rank high in importance.

The City is limited by the Constitution of the State of Florida to an ad valorem tax levy of ten mills on each dollar of assessed valuation for operating expenditures. At 1.150 mills in 2018, Naples' ad valorem tax remains significantly below the maximum allowed and remains unchanged from the prior year.

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 2017-2018, the City continued its journey to enhance the quality of life for its residents while providing the best essential services possible. Some of the events and projects include:

- In 2013, the City 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. The total project cost estimate of \$18.5 includes both the park development and the Gordon River Bridge component of the project. The City has received over \$5.3 million in donations since the project began in 2014 including \$2.0 million in 2018. Additional donations and pledges are anticipated to continue to offset a portion of the City funds presently allocated for the completion of the park. Through 2018, the Baker Park architectural/engineering plans and modifications continued, construction on the park continued, and the Gordon River Bridge was completed. This brings the total spent to date to \$9.2 million, of which \$4.5 million was expensed in 2018. The City expects the project to be completed in October 2019.
- The \$6.2 million replacement of the Naples City Dock was completed in 2018. The final \$4.3 million was expensed in 2018 in addition to the construction in progress of \$1.9 million, in 2017. The design of the City Dock included a floating dock for enhanced efficiency, plus structural redesign to maximize its usage and the satisfaction of its tenants and customers. The dock project was funded with an internal loan of \$6.5 million, payable over 20 years from dock revenues. Due to the fact the construction costs came in under the original loan amount, the Dock Fund repaid \$400,000 on the loan and the 1<sup>st</sup> of 20 annual installments of \$305,000 in 2018.
- Fire Station #1, in the heart of downtown, has been scheduled for replacement for several years. The replacement station will be built to withstand potential flood waters and a Category 5 hurricane, therefore being able to double as the Emergency Operation Center. In 2018, the City expensed \$3.6 million bringing the total spent to date on the project to \$4.2 million. This state-of-the-art fire station will increase the square footage from 7,500 sq. ft. to just under 20,000 sq. ft. The total cost of the project is estimated to be \$9.9 million for design, demolition, construction, and furnishings. Demolition of the old station occurred in late 2017 and construction began in February 2018. The City issued debt of \$3.4 million, in the form of a private placement loan, to fund a portion of the construction costs in 2018. The remaining \$6.5 is budgeted in 2018 from reserves as planned in the City's CIP.
- Fire Station #2 – The City completed a \$694,208 renovation (Phase I) in 2018, of which \$295,521 was spent in 2018. Phase I included improvements to the HVAC system, kitchen, bunkroom, and bathrooms. Phase II will renovate the vehicle bays. The City anticipates Phase II will cost approximately \$1.1 million and funding is expected in 2021-2022 fiscal year.
- Water and Sewer infrastructure, equipment, and facilities improvements of \$7.5 million in 2018 including; reclaimed water construction and expansion, utilities wide pump station improvements, water main improvements, sewer main replacement, and continued emphasis on equipment and motor vehicle replacement programs.

The trends in the Southwest Florida economy continues to experience a moderate but steady growth with some signs of slowing in certain economic indicators in the waning months of 2018. In addition, hurricane Irma had a significant impact on tourism in the waning month of 2017 and the 1<sup>st</sup> quarter of 2018. Following hurricane Irma, the cleanup related commerce and reconstruction was vibrant and seasonally tourism revived and remained strong in the 2<sup>nd</sup> quarter of 2018. Unfortunately, red tide and algae blooms in the region provide additional downward pressure on tourism in the 4<sup>th</sup> quarter of 2018. According to a report by the Florida Gulf Coast University in its year over year economic indicator comparisons, taxable sales for Collier County were up 2% in September 2018 over August 2018, and 31% higher than September 2017, tourist tax revenues in Collier County were fractionally higher in September 2018, and 15% higher for the year over 2017. A portion of this increase results from raising the Collier tourist development tax rate to 5% effective September 1, 2017. The three major

Southwest Florida airports grew 31% in 2018 in a year over year comparison. The unemployment rate for Collier County was 3.0% in October 2018 down from the 3.7% in October 2017. In addition, Collier County recorded 213 single family building permits in October 2019, up 5% from October 2017. While Collier's single-family homes sales were up in October 2018, 388 compared to 341 in October 2017, the median price increased to \$444,413 yielding an increase of \$19,413 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***

The City maintains updated financial policies approved by City Council covering five major areas: (1) Budgetary and Financial Planning; (2) Financial Reporting; (3) Capital Improvement; (4) Debt Management; (5) Investments and Fund Balance.

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

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

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

### ***Major Initiatives***

The Ten-Year Vision Plan adopted in 2007 provided a framework for many of the City's programs and projects. Major initiatives of the City typically are aimed at achieving the major goals of the vision plan. In August 2018, the City began evaluating the 2007 Vision Plan to determine if a new Visioning process is warranted. The final report on this evaluation is expected in April 2019. Listed below are a few of the initiatives taken to address some of the visions:

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

The Naples Pier, originally built in 1888, is one of the most visited attractions in Southwest Florida drawing over 1.4 million visitors annually. The last major renovation was completed in November of 2015. The \$2.7 million project included the replacement of deck boards and railings with IPE wood, a Brazilian hardwood with a life expectancy exceeding 30 years. New lighting was installed, and the restrooms were completely rebuilt and expanded to double the capacity. A reopening ceremony of the Pier was held on Friday November 13, 2015. In 2017, the Pier experienced significant damage from hurricane Irma leaving the structure approximately 50% accessible and prohibiting fishing from the accessible areas. The Pier repairs of \$244,000 (including engineering and project oversight) were completed and the Pier reopened in its entirety on August 1, 2018.

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

Residents and visitors alike recognize the ambiance created by the tree-lined streets of Naples. For the twenty-second consecutive year, the City of Naples received the Tree City U.S.A. designation, and for the twelfth consecutive year, the City received a Tree City U.S.A. Growth Award. The City of Naples urban forest consists of 17,709 managed hardwood trees and palms on streets, rights-of-way, parks and other public property within the City. Staff continued the annual Tree Fill-In Program with emphasis on replacing the 1,929 trees lost in hurricane IRMA. The Trees Fill-In Program continues to: (1) Protect and enrich the environment; (2) Maintain and improve neighborhood character; (3) Enhance the appearance of streets within the City; and (4) Improve the appearance and urban design of commercial corridors while protecting the residential character and charm of the City. The City's 2018-2019 budget includes an additional \$500,000 for replacing trees in addition to a goal of \$1.0 million in donations related to the Blair Foundation Tree Challenge.

The City continued the process of developing a Parks Master Plan in 2018, engaging a firm to facilitate community involvement and input in establishing recommendations in the plan presented to City Council. A draft master plan is being presented and communicated to officials, community leaders, and citizens alike in further attempts to obtain feedback on proposals before finalizing the plan. The project schedule, slowed by the effects of hurricane Irma, is expected to have final conclusions presented in 2019.

#### **Vision Goal: Make Naples the green jewel of Southwest Florida**

In a community-vision process, the goal of making Naples the green jewel of Southwest Florida was a critical element determined by the community and adopted by City Council. This goal included three objectives: (1) restore Naples Bay, (2) promote sustainability, and (3) establish more green space.

Throughout the year, staff made numerous presentations to service organizations, homeowner associations, and other groups regarding the environment. Staff provided information in the form of brochures to the public on subjects that include wetlands, sea turtles, mangroves, and rain gardens. In addition, the City continues to direct City funds to beach re-nourishment and expand its artificial reef construction.

#### **Vision Goal: Maintain an extraordinary quality of life for residents**

The Community Services Department - Recreation Division during the 2017-2018 year provided a wide variety of recreational opportunities for residents of all ages and socio-economic status, integrating social, athletic, educational and cultural pursuits.

#### ***Norris Center/Cambier Park***

The Norris Center offers a mix of programs for both adults and children throughout the year. In 'season' adult programming includes: Watercolor, Italian, Open Painting and Drawing Classes. In summer months the building is full of children's specialty camps which focus on arts, technology, and science. The Center also hosts cultural arts offerings including onstage musical, comedic, and dance performances. The Norris Center is the home of Gulfshore Playhouse equity theater company. During the 2017-2018 season performances presented by the Norris Center and Gulfshore Playhouse attracted 23,167 patrons. Attendance is limited to 200 patrons per performance due to theater size, and evening performances are often sold out. Cambier Park Outdoor Concerts continue to be popular FREE performances presented on Sunday afternoons and Monday evenings throughout the winter season.

### ***Arthur L. Allen Tennis Center in Cambier Park***

In 2018, the tennis center offered fifteen USTA sanctioned and non-sanctioned tournaments that drew 1,410 participating athletes. Eleven 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 49th Annual "Clay in May" Tennis Championship hosted 475 players playing in a total of 759 events. There are 38 different clinics and round robins for members and guests to participate targeted for all skill levels. These programs serve to develop new memberships for the center and provide opportunities for members and guests to meet other players.

### ***Fleischmann Park***

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

### ***Naples Preserve***

Nature talks are offered on Tuesdays during the months of January – April often the Preserve's conservation partners speak at these events. Educational nature programs were provided for Lake Park Elementary kindergarten and second grade, Little Eagles Preschool, Homeschoolers of Collier County, Girl Scouts, Lighthouse of Collier County, United Cerebral Palsy and Grace Place. The Preserve continues a service-learning program for Florida Gulf Coast University students on an ongoing monthly basis. The Gopher Tortoises number over a 100 plus and are in two research studies – one being an FGCU study on intestinal parasites. Trees that were damaged or died because of Hurricane Irma were removed along with exotics and excess vines. The Chickee roof, damaged during Irma, was replaced. Our annual Gopher Tortoise Day event included some of our Partners and the attendance continues to grow from previous years. A handful of Eco-tours are offered each year to provide the public with an opportunity to learn and visit other local sites.

### ***River Park***

The River Park Community Center is an active facility with a computer lab, fitness center, full kitchen, classroom/meeting rooms and a covered outdoor basketball court. The playground is located across the street from the community center. River Park staff and contracted instructors successfully offered multiple programs and specialty camps, which included 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. Facility improvements for River Park Community Center this year include: LVT (Luxury Vinyl Tile) flooring installed in the bathrooms/front reception area/offices/library/conference room and hallway, new bathroom stalls, new marble countertops/faucets in bathrooms, basketball court- new goals/backboards, aluminum railing along basketball court sidewalk (this prevents basketballs from going into the street), basketball court was resurfaced – dark blue with white striping, playground- fence repairs and new wheelchair rubber pour in place pathway to swing was added. Also, a new Ford 15 passenger van was purchased for the center to help with any transportation needs. Back to School program served 286 children going into K through 12<sup>th</sup> grade with needed school supplies. Santa's also made an appearance at Santa's Coming to Town and made a delivery of 245 gifts to very excited children.

### ***River Park Aquatic Center***

The River Park Aquatic Center offered multiple classes, programs and camps. Included were Lifeguard Training, Lifeguard and Water Safety Instructor Training, Red Cross Learn to Swim classes, Swim Central Classes, Swim & Snorkel camps, and Recreational (Rosters) Swim Team program. The aquatic center continues to serve as an important community asset and is the home pool for Naples High School. River Park Aquatic Center continued its close collaboration with Safe and Heathy 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. Facility improvements for the aquatic center included decking/water features/bathrooms/storage area/bathroom floors all painted, water slide canvas cover replaced, new washer and dryer.

### ***Anthony Park***

Anthony Park continues to host the Girls Scouts Troop 1083, as well as Archery and Fishing camps in 2018 with 56 enrolled. Tennis classes were offered by a group of City volunteers with 8 enrolled in multiple sessions. Facility improvements for Anthony Park included new porcelain tile flooring throughout center, four new hurricane windows, classrooms/office/bathrooms painted, new TV's, and the basketball court was resurfaced – dark blue with white striping.

## **Financial Reporting and Measurements**

### ***Independent Audit***

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

### ***Distinguished Budget***

The City's budget for 2017-2018 received the GFOA's Distinguished Budget Presentation Award. The City has achieved this award for 13 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, 2017.

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,



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Charles T. Chapman IV  
City Manager



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Ann Marie S. Ricardi  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Naples  
Florida**

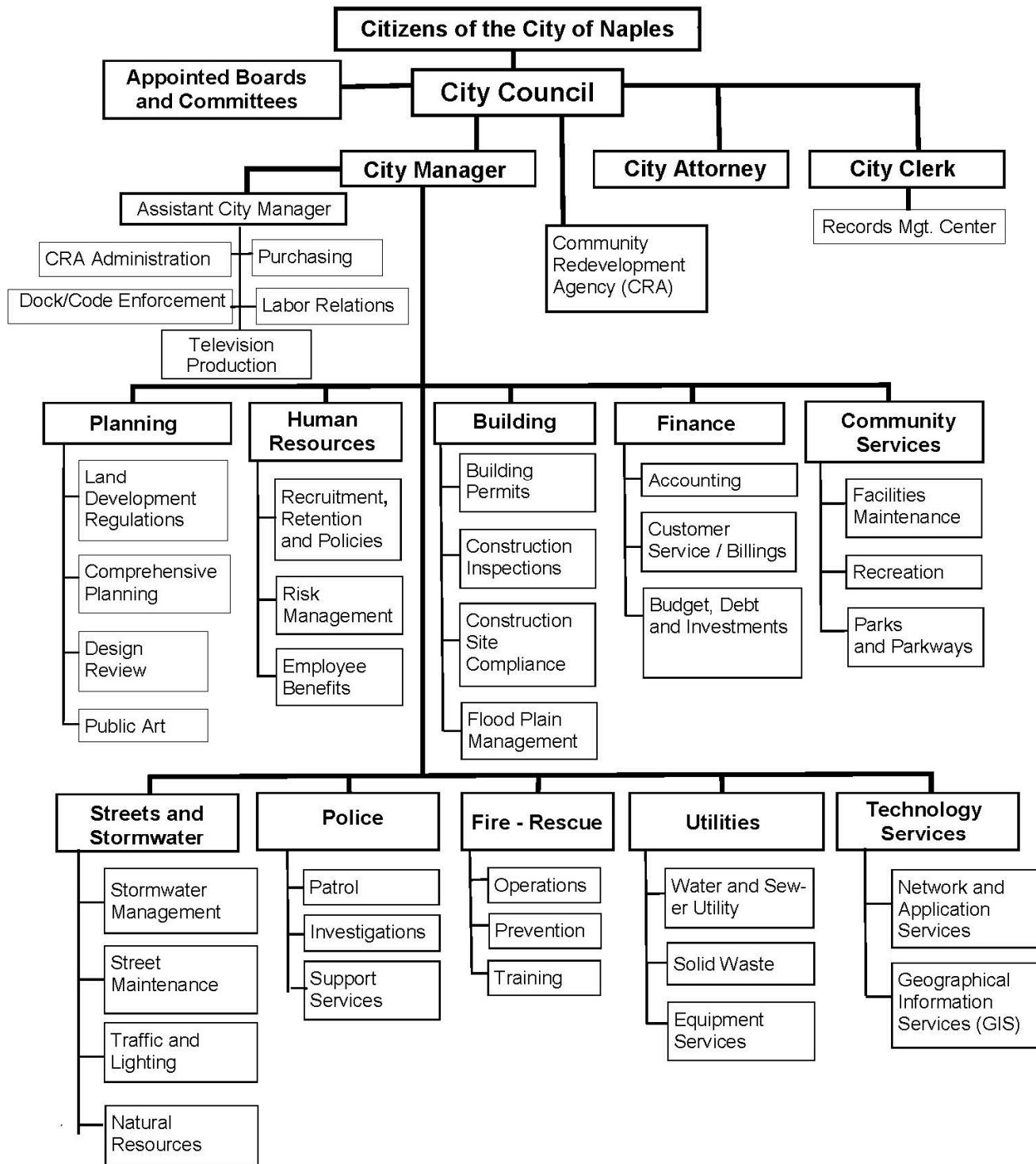
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# City of Naples Organizational Chart





## INDEPENDENT AUDITOR'S REPORT

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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, 2018, 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, 2018, 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.

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***Emphasis of Matter***

As discussed in note 4, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, as of October 1, 2017. This standard significantly changed the accounting for the City's total other post-employment benefits (OPEB) liability and the related disclosures. Our opinions are not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and pension and other post-employment benefit schedules on pages 5-16 and 103-116, 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.

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019, 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 13, 2019

*Mauldin & Jenkins, LLC*

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**The City of Naples, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**  
**(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, 2018.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2018, by \$250 million (net position). Of this amount, \$37.4 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 \$14.3 million.
- As of September 30, 2018, the City's governmental activities reported combined ending net position of \$86.3 million. This is an increase of \$8.9 million from the prior year. The City's governmental activities unrestricted net position is negative \$6.2 million.
- The City implemented *GASB No. 75 Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* effective on October 1, 2017. The effect of GASB 75 on the restated net position of the City's governmental activities for the year ending September 30, 2017, was a decrease of \$145 thousand. The effect of GASB 75 on the restated net position of the City's business-type activities for the year ending September 30, 2017, was a decrease of \$50 thousand. In 2018, the unfunded OPEB increased an additional \$141 thousand. The City must continue to evaluate its OPEB obligations and its effect on the long-term financial position of the City.
- The City experienced the first material decrease in its unfunded pension obligation since implementing GASB 68 in 2015. The deferred outflows in governmental activities decreased \$2.3 million and deferred inflows increased \$2.3 million. Deferred outflows in business-type activities decreased \$394 thousand while deferred inflows increased \$367 thousand. These changes were the effect of the decrease of \$3.4 million of the City's unfunded pension obligation including its General Pension Plan, Police Pension Plan, and Fire Pension Plan. The City continues to evaluate its pension obligations and its effect on the long-term financial position of the City including the most recent change to reduce the expected rate of return from 7.5% to 7.0% over the next five years by reducing it 0.10% annually.
- The City's total debt decreased by \$1.18 million during the current fiscal year due to scheduled debt service payments of \$4.5 million. The City issued debt in 2018 of \$3.4 million to complete the funding for the construction of CAT5 Fire Station and EOC adjacent to City Hall in the heart of downtown. In addition, the \$6.5 million interfund loan to construct a new City Dock that occurred in 2017 came in under budget in 2018 providing the opportunity to repay \$400 thousand in addition to the first of 20 annual installments of \$205 thousand leaving \$5.9 million outstanding at year-end.



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

**The Statement of Activities (page 21)** is focused on the gross and net cost of various functions supported by the City's taxes and other revenues and shows how the City's net position changed during the fiscal year. This statement is intended to summarize and simplify the costs of various governmental services. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Therefore, some revenues and expenditures, such as uncollected taxes and earned but unused vacation leave, may be reported but will result in cash flows in future fiscal periods.

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

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

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

### ***Fund Financial Statements***

**The Fund Financial Statements**, which report by individual fund, begin on page 23.

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

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

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

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

The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. The reconciliations on page 26 and 30 convert this data to an economic resources measurement focus and the accrual basis of accounting for use in the government-wide financial statements.

The total column on the Proprietary Fund financial statements is reconciled to the business-type activities column in the government-wide statements on pages 31–37.

#### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 42.

#### ***Required Supplementary Information***

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

#### **Government-wide Financial Analysis**

The City’s combined net position as of September 30, 2018, was \$250 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 64,681	64,728	53,568	54,911	118,249	119,639
Capital assets	76,815	69,080	129,946	127,993	206,761	197,073
Total assets	141,496	133,808	183,514	182,904	325,010	316,712
Total deferred outflow of resources	9,083	11,332	1,194	1,534	10,277	12,866
Longterm liabilities outstanding	54,345	60,675	16,010	19,653	70,355	131,030
Other liabilities	6,154	5,722	4,373	6,061	10,527	11,783
Total liabilities	60,499	66,397	20,383	25,714	80,882	92,111
Total deferred inflow of resources	3,734	1,299	651	367	4,264	1,666
Total deferred inflows	3,734	1,299	651	367	4,264	1,666
Net position						
Net investment in capital assets	68,234	62,307	120,074	115,191	188,308	177,498
Restricted	24,297	24,076	-	-	24,297	24,076
Unrestricted	(6,186)	(8,975)	43,601	43,132	37,415	34,157
Total net position	\$ 86,345	77,408	163,675	158,323	250,020	235,731

The largest portion of the City's net position (75.3%) 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 9.7% of the total net position) is subject to external restrictions on how it may be used. The remaining 15% of unrestricted net position, \$37.4 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 \$110.4 million. Total expenses, City-wide were \$96.1 million. For the total primary government, including both governmental and business-type activities, net position increased \$14.3 million. Net position for governmental activities increased by \$8.9 million and net position for business-type activities increased by \$5.4 million in 2018.

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

**Table 2**  
Changes in Net Position  
(In thousands)

	Governmental Activities		Business Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues						
Charges for services	11,860	10,319	48,406	49,598	60,266	59,917
Operating grants and contributions	4,687	4,364	202	127	4,889	4,491
Capital grants and contributions	2,581	346	1,012	1,424	3,593	1,770
General revenues						
Property taxes	24,432	22,707	-	-	24,432	22,707
Other taxes	8,661	8,332	-	-	8,661	8,332
Franchise fees	3,553	3,523	-	-	3,553	3,523
Intergovernmental revenues	3,883	3,824	-	-	3,883	3,824
Unrestricted investment earnings	679	415	394	301	1,073	716
Other	16	552	-	-	16	552
Total revenues	60,352	54,382	50,014	51,450	110,366	105,832
<b>Expenses</b>						
General government	12,982	9,454	-	-	12,982	9,454
Public safety	25,994	30,593	-	-	25,994	30,593
Physical and economic environment	2,860	2,634	-	-	2,860	2,634
Transportation	3,683	3,124	-	-	3,683	3,124
Cultural and recreation	7,718	7,645	-	-	7,718	7,645
Interest and fiscal charges	198	160	-	-	198	160
Water and sewer	-	-	26,986	25,831	26,986	25,831
Solid waste	-	-	6,673	6,613	6,673	6,613
Stormwater	-	-	4,796	4,117	4,796	4,117
Dock	-	-	1,161	1,077	1,161	1,077
Other	-	-	3,026	2,871	3,026	2,871
Total expenses	53,435	53,610	42,642	40,509	96,077	94,119
Increase (decrease) in net position						
before transfers	6,917	772	7,372	10,941	14,289	11,713
Transfers	2,020	2,020	(2,020)	(2,020)	-	-
Change in net position	8,937	2,792	5,352	8,921	14,289	11,713
Net position, beginning as restated	77,408	74,616	158,323	149,402	235,731	224,018
Net position, ending	86,345	77,408	163,675	158,323	250,020	235,731

The total primary government revenues reported a \$4.5 million or 4.3% increase over last year's total revenues. The total business-type activities' revenue decreased \$1.4 million. Revenue from governmental activities show a \$5.9 million increase. The primary reasons for the increase in governmental activity revenue are as follows:

- An increase in property tax revenue \$1.7 million due to taxable value growth.
- An increase in charges for service of \$1.5 million charges for service.
- An increase in operating other tax revenue of \$329 thousand.
- An increase in operating grants of \$323 thousand.
- An increase in interest revenue \$264 thousand due to higher interest rate return.
- With \$536 thousand offsetting changes in other revenue.

Business-type activities showed a decrease in revenues in the amount of \$1.4 million or 2.8% below the revenues of 2018. The charges for services decreased by \$1.2 million and capital grants decreased by \$412 thousand in 2018; however, this decrease was offset by an increase of \$75 thousand in operating grants, and an increase of \$93 thousand in interest revenue. Revenue in the two non-major enterprise funds (which are recreational based funds), increased \$43 thousand due to increased usage. The balance of the decrease can be attributed to the three utilities, Water/Sewer, Solid Waste and Stormwater with the Water/Sewer showing the largest decrease of \$928 thousand Solid Waste declined \$32 thousand, Stormwater declined \$240 thousand while the City Dock reopened came in slightly under 2017 by \$34 thousand.

The total primary government's expenses decreased \$2.0 million or 2.1%. Governmental activities reported a 0.3% decrease in expenses, with business-type activities reporting a 5.3% increase.

### ***Governmental Activities***

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

The cost of all governmental activities this year was \$53.4 million. As shown in the Statement of Activities on page 21, the net cost that was ultimately paid through taxes was \$34.3 million. The \$19.1 million of costs for governmental activities not covered by general revenues was provided by:

- \$11.9 million in charges for services, made of \$4.8 million in building/permit fees, \$1.1 million in police and fire services, \$1.0 million for recreation fees, and the balance from various fees related to transportation, economic environment and general government services.
- \$4.7 million in operating grants and contributions including \$2.7 million from Collier County's share of the Community Redevelopment tax increment financing.
- \$2.6 million in capital grants and contributions.

The total cost of all governmental activities decreased in 2018 by 0.3%, due primarily to decreases in costs related to public safety, transportation, and general government (all other) offset by an increase in physical and economic environment.

**Table 3**  
 Governmental Activities  
 (In Thousands)

	Total Cost of Service		Net Cost of Service	
	2018	2017	2018	2017
Public safety	\$ 25,994	30,593	19,715	25,977
Physical and economic environment	2,860	2,634	(2,691)	(2,037)
Transportation	3,683	3,124	3,583	2,810
Cultural and recreation	7,718	7,645	4,371	5,682
All others	13,180	9,614	9,329	6,190
	<u>\$ 53,435</u>	<u>53,610</u>	<u>34,307</u>	<u>38,622</u>

***Business-type Activities***

Revenues of the City’s business-type activities (see Table 2) totaled \$50 million.

The Water and Sewer Fund represents 65.5% of the business-type activities’ expenses. Total water and sewer operating revenues were \$1.2 million lower than last year, while corresponding operating expenses were \$1.2 million higher as well. City Code allows for Water Sewer Fees, Stormwater Fees, and Solid Waste Fees to be adjusted automatically, based on the Consumers Price Index, respectively. The Water and Sewer fees were increased 1.0% 2017 and an additional 2.2% in 2018 across all components of the rate structure. The water/sewer charges are tiered for higher rate with higher usage making a year-over-year comparison difficult, in large part to an extremely dry 2017 where revenues were significantly higher. The Solid Waste rate study resulted in an aggregate rate adjustment of approximately 3.5% for 2017 and additional 2.2% CPI in 2018.

**Financial Analysis of the City’s Funds**

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

**Governmental Funds**

The fund financial statements for the governmental funds start on page 23. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

In particular, 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, 2017, the City’s governmental funds reported combined ending fund balances of \$50.0 million, a decrease of \$1.2 million in comparison with the prior year. Approximately 14.2% of this total (or \$7.1 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 (\$2.6 million); (2) restricted for building and zoning (\$4.1 million); (3) restricted for transportation (\$2.6 million); (4) restricted for economic development (\$2.2 million); (5) committed for City-wide emergencies (\$3.6 million); (6) assigned to meet debt service requirements (\$1.2 million); and (7) restricted for Baker Park capital construction project (\$12 million); (8) for a variety of other restricted (\$383 thousand).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7.1 million, while the total fund balance was \$12.6 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 17.2% of the total fiscal year 2018 General Fund expenditures, while total fund balance represents 30.5% of that same amount.

General Fund expenditures were \$1.9 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 non-departmental variance is the result of costs unspent related to Hurricane Irma.

The fund balance in the General Fund increased by \$323 thousand during the fiscal year. This increase resulted from higher property tax collections, charges for service, interest revenue offset by increased expenses related to personnel, legal/litigation, and costs related to Hurricane Irma.

The Debt Service Fund reports a total fund balance of \$1.20 million which is totally assigned for the payment of debt service. The increase in fund balance during the current year in the Debt Service Fund was the net effect of increased tax revenue of \$620 thousand and offset by slight increase in debt service and increased transfers to fund capital projects. Taxes received in this fund first pay for the general government debt, and the balance may be used to provide funds for general government capital projects. This year the amount transferred to fund capital projects was \$3.2 million.

The Capital Projects Fund reports a total fund balance of \$8.8 million, \$7.0 million is assigned for future capital projects, and \$1.9 is committed to existing project contractual commitments. Fund balance increased by \$3.2 million.

The fund balance in the Community Redevelopment Fund decreased \$2.2 million in 2017 with an ending fund balance of \$1.2 million. As a fund with major capital goals, the fund balance will be directed toward future capital projects identified in the Redevelopment Plan.

The fund balance in the Baker Park Fund reports a total fund balance of \$14.2 million. This is an increase of \$5.9 million driven by a transfer in from the General Fund of \$8.5 million offset by the \$3.0 million in capital expenditures on the park construction.

The fund balance in the Streets and Traffic Fund increased \$338 thousand in 2017 with an ending fund balance of \$2.9 million. The key factor was an increase in total revenue of \$421 thousand in 2017.

The combined fund balances for all governmental (major and non-major) funds decreased by \$780 thousand for fiscal year 2017 or 1.6%.

### **Proprietary Funds**

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

Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$30 million in the Water and Sewer Fund, \$836 thousand in the Solid Waste Fund, \$8.7 million in the Stormwater Fund, (\$858) thousand in the City Dock Fund, \$3.3 million in the Naples Beach Fund, and \$303 thousand in the Tennis Fund.



## General Fund Budgetary Highlights

The adopted budget for fiscal year 2017-2018 was \$39,746,042 in expenditures and other financing uses and \$40,334,519 in revenues and other financing sources, with the difference of \$588,477 being a planned increase in fund balance. The amended budget for fiscal year 2017-2018 is \$43,297,369 in expenditures, and \$40,502,519 in revenues with a variance of \$2,794,850 resulting in a planned reduction of fund balance of which \$2,787,072 was related to Hurricane Irma and is at various stages of the reimbursement process with FEMA and the Florida Department of Emergency Management.

The increase between the General Fund's original budgeted revenue and the final budgeted revenue is \$168,000. This includes increases of \$148,000 for fire airport charges and \$20,000 related to a Cultural/Recreational grant.

The increase between the General Fund's original budgeted expenditures and the amended budgeted expenditures is \$3,136,227. This includes: (a) \$2,781,040 was for costs related to Hurricane Irma, (b) \$148,000 for Fire NAA overtime, (c) \$20,000 for scoreboards, and (d) \$187,187 was for prior year encumbrances.

The General Fund contingency was budgeted at \$500,000. Of that, \$421,500 was appropriated during the year by City Council. This includes: (a) \$220,000 for legal counsel/litigation services, (b) \$105,000 for meeting close captioning software, (c) \$60,000 for temporary repair and stabilization of damaged and vulnerable sidewalks adjacent to seawall, and (d) \$36,500 for the new City Manager search.

## Capital Assets and Debt Administration

### Capital Assets

The City, as of year-end had \$206.8 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 \$9.7 million or 4.9% over last year.

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

	Governmental Activities		Business Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 16,418	16,418	3,142	3,142	19,560	19,560
Buildings	40,233	39,128	63,738	63,718	103,971	102,846
Improvements other than buildings	42,193	40,970	71,301	64,286	113,494	105,256
Infrastructure	36,774	32,082	122,596	118,078	159,370	150,160
Machinery and equipment	26,890	24,915	33,033	28,735	59,923	53,650
Construction in progress	10,983	6,681	4,202	6,779	15,185	13,460
Less accumulated depreciation	(96,676)	(91,115)	(168,066)	(156,745)	(264,742)	(247,860)
Total	\$ 76,815	69,079	129,946	127,993	206,761	197,072

This year's major additions include:

- City Dock Construction \$6.2 million
- Baker Park Bridge \$4.3 million
- Water Main Improvements \$2.3 million
- Stormwater Improvements \$1.8 million
- 3<sup>rd</sup> Ave South Improvements \$1.1 million
- Fire Station #2 Renovations \$694 thousand
- Police Admin. Building Window Replacement \$315 thousand.

Additional information regarding the City's capital assets is included in Note 4D to the financial statements.

***Debt Outstanding***

As of year-end, the City had \$18.69 million in debt (bonds, notes, etc.) outstanding compared to \$19.87 million in 2017, a \$1.18 million decrease. This decrease is the net effect of regular amortization in accordance with the payment schedules of \$4.5 million offset by an issuance of \$3.35 million in new issuance related to new fire station construction.

**Table 5**  
Outstanding Debt at Year-end

	2018	2017
Governmental		
Capital improvement revenue note	\$ 3,348,058	-
Capital improvement refunding revenue note	5,396,000	6,986,000
Subtotal	8,744,058	6,986,000
Business-type		
Public Utilities refunding revenue bonds	9,942,694	12,879,367
Subtotal	9,942,694	12,879,367
Total	\$ 18,686,752	19,865,367

Additional information regarding the City's outstanding debt is included in Note 4G to the financial statements.

**Economic Factors and Next Year Budget and Rates**

In September 2018, the City Council approved a \$144.7 million budget for fiscal year 2018-2019, approximately \$3.8 million less than the fiscal year 2017-2018 budget. The budget includes \$100.8 million for operations and transfers, \$4.0 million for debt service, and \$39.9 million for capital improvements.

The adopted fiscal year 2018-2019 budget continues the City's fiscally conservative approach to budget development, while providing quality services to the citizens.

The budget for fiscal year 2018-2019 was developed with an emphasis on:

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

The City's 2018-2019 General Fund budget was balanced using a millage rate of 1.1800. The 2019 millage rate represents an increase from 2017 of .03. The increase was determined to be necessary to reestablish contingency reserves depleted while responding to the needs related to Hurricane Irma. While 2017 millage rate was 1.1500, prior to 2017 the millage rate had remained constant at 1.1800 since 2009-2010. The East Naples Bay Taxing District millage rate remained at .5000 and the Moorings Bay Taxing District decreased to .0125. The City's aggregate millage rate of 1.1951 is greater than the aggregate roll back rate of 1.1224 mills.

The following economic and operating factors were considered in developing the budget for fiscal year 2018-2019.

- The City showed the sixth consecutive year of increase in taxable value (after four consecutive years of decline) as values increased 5.9% over fiscal year 2017-2018 to \$23.1 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.
- Health insurance benefits increase 5%. The City maintained health insurance rates with no increase in the prior 5 years. The City increased both the employer and employee premium contributions to maintain the current 85% employer and 15% employee cost sharing of healthcare premiums and comply with the labor contracts.

The budget has a net decrease of 0.5 positions over fiscal year 2017-2018.

- There is one debt issuance planned in fiscal year 2018-2019. This debt issuance would be related to wastewater collection and treatment improvement in the Gulf-Acres Rosemary Heights Special Assessment District. The 2018-2019 budget includes \$5.7 million. Property owners are afforded the opportunity to prepay the assessment. As a result, the exact amount of debt that may occur in 2018-2019 is likely to be closer to \$2-3 million based on the percentage of prepays in prior assessment. Other Capital improvements includes: \$18.7 million of water/sewer projects, \$4.0 million in stormwater projects, \$950,000 on various other roadway and traffic improvement, \$150,000 on a Pedestrian & Bicycle Master Plan Project, \$550,000 Tree Fill In and Replacement Program, \$150,000 Median Restoration, \$40,000 Fleischmann Park, \$70,000 Skate Park, \$80,000 River Park, \$140,000 Norris Center, \$325,000 Naples Landing (ramp and dock renovation), and \$220,000 on city hall improvements. Police department projects include \$618,133 for License Plate Recognition System, \$276,400 on four marked and two unmarked vehicles replacement, \$71,000 portable radio replacement, and \$30,000 for taser replacement. Other capital improvements include \$175,000 in multimedia and AV equipment for new fire station EOC, \$100,000 in improvements within the Tennis Fund, \$70,000 for Lowdermilk Park improvements and \$145,000 for security cameras, ADA improvements – Beach access and dune vegetation improvement from the City's Beach Fund, and \$132,500 Anthony Park outdoor fitness equipment.

## **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](mailto: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](http://www.naplesgov.com).

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF NAPLES, FLORIDA**

Statement of Net Position

September 30, 2018

Assets	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 60,801,905	44,658,076	105,459,981
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	785,631	7,120,804	7,906,435
Special assessments	-	435,587	435,587
Utility taxes	244,930	-	244,930
Accrued interest	214,966	184,180	399,146
Internal balances	158,200	(158,200)	-
Due from other governments	2,362,520	-	2,362,520
Inventories	94,327	978,861	1,073,188
Prepaid items	18,524	-	18,524
Restricted assets			
Cash and investments	-	349,302	349,302
Capital assets			
Land and land improvements	16,418,277	3,141,603	19,559,880
Buildings and utility plants	40,233,326	63,737,808	103,971,134
Improvements other than buildings	42,192,980	71,300,689	113,493,669
Infrastructure	36,773,837	122,595,534	159,369,371
Equipment	26,889,457	33,033,561	59,923,018
Accumulated depreciation	(96,675,638)	(168,066,025)	(264,741,663)
Construction in progress	10,982,775	4,202,570	15,185,345
Net capital assets	<u>76,815,014</u>	<u>129,945,740</u>	<u>206,760,754</u>
Total assets	<u>141,496,017</u>	<u>183,514,350</u>	<u>325,010,367</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows - pensions	8,743,500	1,044,076	9,787,576
Deferred outflows - OPEB	175,536	78,864	254,400
Deferred charge on refunding	163,466	70,683	234,149
Total deferred outflows of resources	<u>9,082,502</u>	<u>1,193,623</u>	<u>10,276,125</u>

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

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**CITY OF NAPLES, FLORIDA**

Statement of Net Position

September 30, 2018

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Accounts payable and other current liabilities	\$ 5,777,954	2,479,488	8,257,442
Due to other governments	7,674	1,603,217	1,610,891
Unearned revenue	166,965	163,809	330,774
Customer deposits	171,976	22,159	194,135
Accrued interest payable	29,403	-	29,403
Liabilities payable from restricted assets			
Customer deposits	-	104,073	104,073
Total current liabilities	<u>6,153,972</u>	<u>4,372,746</u>	<u>10,526,718</u>
Noncurrent liabilities			
Revenue bonds payable, net of unamortized discounts and premiums			
Due within one year	1,890,432	1,262,971	3,153,403
Due in more than one year	6,853,626	8,679,723	15,533,349
Compensated absences			
Due within one year	522,354	171,000	693,354
Due in more than one year	2,238,562	759,631	2,998,193
Net pension liability	36,421,063	3,769,727	40,190,790
Total other post-employment benefit liability	3,041,771	1,366,594	4,408,365
Claims payable			
Due within one year	1,032,670	-	1,032,670
Due in more than one year	2,344,800	-	2,344,800
Total noncurrent liabilities	<u>54,345,278</u>	<u>16,009,646</u>	<u>70,354,924</u>
Total liabilities	<u>60,499,250</u>	<u>20,382,392</u>	<u>80,881,642</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pensions	3,650,700	613,431	4,264,131
Deferred inflows - OPEB	83,411	37,474	120,885
Total deferred inflows of resources	<u>3,734,111</u>	<u>650,905</u>	<u>4,385,016</u>
<b>Net Position</b>			
Net investment in capital assets	68,234,422	120,073,729	188,308,151
Restricted for			
Building and zoning	4,103,232	-	4,103,232
Capital projects	2,605,383	-	2,605,383
Streets and infrastructure	2,573,381	-	2,573,381
Economic development	2,211,854	-	2,211,854
Police programs	417,985	-	417,985
Culture and recreation improvements	12,383,461	-	12,383,461
Unrestricted	<u>(6,184,560)</u>	<u>43,600,947</u>	<u>37,416,387</u>
Total net position	<u>\$ 86,345,158</u>	<u>163,674,676</u>	<u>250,019,834</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, 2018

	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
Functions/programs		
Governmental activities		
General government	\$ 15,824,088	(2,841,870)
Public safety	25,654,953	339,210
Physical and economic environment	2,745,008	114,390
Transportation	3,583,703	99,150
Culture and recreation	7,717,903	-
Interest	198,144	-
Total governmental activities	<u>55,723,798</u>	<u>(2,289,120)</u>
Business-type activities		
Water and sewer	25,444,147	1,541,550
Solid waste	6,349,425	323,130
Stormwater	4,614,615	181,780
Dock	1,101,551	59,300
Beach	2,304,657	140,030
Tennis	538,508	43,330
Total business-type activities	<u>40,352,903</u>	<u>2,289,120</u>
Total primary government	<u>\$ 96,076,701</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
3,842,216	8,763	-	(9,131,239)	-	(9,131,239)
6,067,924	2,756	208,985	(19,714,498)	-	(19,714,498)
820,925	4,575,749	154,200	2,691,476	-	2,691,476
99,854	-	-	(3,582,999)	-	(3,582,999)
1,031,798	100,106	2,217,581	(4,368,418)	-	(4,368,418)
-	-	-	(198,144)	-	(198,144)
<u>11,862,717</u>	<u>4,687,374</u>	<u>2,580,766</u>	<u>(34,303,821)</u>	<u>-</u>	<u>(34,303,821)</u>
32,767,617	-	1,011,861	-	6,793,781	6,793,781
7,093,443	-	-	-	420,888	420,888
4,800,239	-	-	-	3,844	3,844
1,167,545	-	-	-	6,694	6,694
1,971,709	201,900	-	-	(271,078)	(271,078)
605,002	-	-	-	23,164	23,164
<u>48,405,555</u>	<u>201,900</u>	<u>1,011,861</u>	<u>-</u>	<u>6,977,293</u>	<u>6,977,293</u>
<u>60,268,272</u>	<u>4,889,274</u>	<u>3,592,627</u>	<u>(34,303,821)</u>	<u>6,977,293</u>	<u>(27,326,528)</u>
General revenues					
Property taxes			24,431,766	-	24,431,766
Local communication and utility taxes			5,771,309	-	5,771,309
Insurance premium tax			1,258,329	-	1,258,329
Motor fuel taxes			1,374,149	-	1,374,149
Business tax			256,858	-	256,858
Franchise fees			3,552,964	-	3,552,964
Intergovernmental revenues—unrestricted			3,883,028	-	3,883,028
Unrestricted investment earnings			675,924	394,491	1,070,415
Gain on sale of capital assets			16,121	-	16,121
Transfers			2,020,100	(2,020,100)	-
Total general revenues and transfers			<u>43,240,548</u>	<u>(1,625,609)</u>	<u>41,614,939</u>
Change in net position			8,936,727	5,351,684	14,288,411
Net position, beginning, as restated			77,408,431	158,322,992	235,731,423
Net position, ending			<u>\$ 86,345,158</u>	<u>163,674,676</u>	<u>250,019,834</u>

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

**CITY OF NAPLES, FLORIDA**

Balance Sheet  
Governmental Funds  
September 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
<b>Assets</b>			
Cash and investments	\$ 11,489,150	1,079,088	10,650,495
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	681,242	-	-
Utility taxes	-	244,930	-
Accrued interest	99,810	1,368	24,157
Due from other funds	58,700	-	-
Advances due from other funds	1,057,350	-	-
Due from other governments	2,347,100	-	-
Inventories	-	-	-
Prepaid items	18,524	-	-
Total assets	<u>\$ 15,751,876</u>	<u>1,325,386</u>	<u>10,674,652</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,962,883	-	1,097,935
Accrued payroll	1,017,156	-	-
Due to other governments	7,674	-	-
Unearned revenue	166,399	-	-
Customer deposits	-	-	-
Total liabilities	<u>3,154,112</u>	<u>-</u>	<u>1,097,935</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue	<u>7,684</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Nonspendable	1,075,874	-	-
Restricted	-	-	-
Committed	4,046,897	-	6,443,551
Assigned	377,931	1,325,386	3,133,166
Unassigned	7,089,378	-	-
Total fund balances	<u>12,590,080</u>	<u>1,325,386</u>	<u>9,576,717</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,751,876</u>	<u>1,325,386</u>	<u>10,674,652</u>

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

<b>Community Redevelopment Fund</b>	<b>Baker Park Fund</b>	<b>Streets and Traffic Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total</b>
2,303,099	12,653,739	2,784,627	10,345,962	51,306,160
-	-	400	99,390	781,032
-	-	-	-	244,930
17,344	-	12,811	30,641	186,131
-	-	-	-	58,700
-	-	-	-	1,057,350
-	-	-	15,420	2,362,520
-	-	16,931	-	16,931
-	-	-	-	18,524
<u>2,320,443</u>	<u>12,653,739</u>	<u>2,814,769</u>	<u>10,491,413</u>	<u>56,032,278</u>
84,013	656,493	203,268	358,007	4,362,599
24,576	-	21,189	106,372	1,169,293
-	-	-	-	7,674
-	-	-	-	166,399
-	-	-	171,976	171,976
<u>108,589</u>	<u>656,493</u>	<u>224,457</u>	<u>636,355</u>	<u>5,877,941</u>
-	-	-	98,140	105,824
-	-	16,931	-	1,092,805
2,211,854	11,997,246	2,573,381	7,512,815	24,295,296
-	-	-	2,150,319	12,640,767
-	-	-	93,784	4,930,267
-	-	-	-	7,089,378
<u>2,211,854</u>	<u>11,997,246</u>	<u>2,590,312</u>	<u>9,756,918</u>	<u>50,048,513</u>
<u>2,320,443</u>	<u>12,653,739</u>	<u>2,814,769</u>	<u>10,491,413</u>	<u>56,032,278</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, 2018

Total fund balances governmental funds (page 23)	\$ 50,048,513
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 (\$76,815,014) less amounts included in the internal service funds (\$848,748).	75,966,266
Some deferred inflows of resources are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	105,824
The deferred charge on refunding is not a financial resource and, therefore, is not reported in the governmental funds.	163,466
Accrued interest on long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	(29,403)
Deferred outflows (\$8,743,500), deferred inflows (\$3,650,700), and the net pension liability (\$36,421,063) related to the City's pension plans less amounts reported in the internal service funds (\$409,792) are not expected to be liquidated with expendable available financial resources and, therefore are not reported in the funds.	(30,918,471)
Deferred outflows (\$175,536), deferred inflows (\$83,411), and the total OPEB liability (\$3,041,771) related to the City's other post-employment benefit plan less amounts reported in the internal service funds (\$170,993) are not expected to be liquidated with expendable available financial resources and, therefore are not reported in the funds.	(2,778,653)
Long-term liabilities, including bonds payable, compensated absences, and insurance claims payable are not due and payable in the current period and, therefore, are not reported in the funds. This is the total amount of long-term liabilities (\$14,882,444) less the amounts reported in the internal service funds (\$3,480,286) for compensated absences, and insurance claims payable.	(11,402,158)
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.	5,189,774
Net position of governmental activities (page 18)	<u>\$ 86,345,158</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, 2018

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>Revenues</b>			
Taxes	\$ 25,263,496	4,431,082	-
Permits, fees and assessments	3,635,171	-	-
Intergovernmental	4,555,393	-	-
Charges for services	2,144,354	-	-
Charges to other funds	3,455,190	-	-
Fines and forfeitures	321,701	-	-
Interest	181,869	6,409	94,051
Donations	-	-	166,182
Miscellaneous	57,334	-	-
Total revenues	<u>39,614,508</u>	<u>4,437,491</u>	<u>260,233</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	11,457,762	40,030	67,780
Public safety	23,195,989	-	-
Physical and economic environment	-	-	-
Transportation	-	-	-
Culture and recreation	6,532,688	-	-
<b>Capital outlay</b>			
General government	102,896	-	366,827
Public safety	11,325	-	5,511,315
Physical and economic environment	-	-	-
Transportation	-	-	731,480
Culture and recreation	14,176	-	-
<b>Debt service</b>			
Principal	-	1,669,825	-
Interest and fiscal charges	-	126,711	-
<b>Total expenditures</b>	<u>41,314,836</u>	<u>1,836,566</u>	<u>6,677,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,700,328)</u>	<u>2,600,925</u>	<u>(6,417,169)</u>
<b>Other financing sources (uses)</b>			
Transfers in	2,067,600	991,411	7,135,111
Transfers out	(47,500)	(6,862,883)	-
Debt issued	-	3,427,883	-
Proceeds from sale of capital assets	3,499	-	36,974
<b>Total other financing sources (uses)</b>	<u>2,023,599</u>	<u>(2,443,589)</u>	<u>7,172,085</u>
Change in fund balances	323,271	157,336	754,916
<b>Fund balances, beginning of year</b>	<u>12,266,809</u>	<u>1,168,050</u>	<u>8,821,801</u>
<b>Fund balances, end of year</b>	<u>\$ 12,590,080</u>	<u>1,325,386</u>	<u>9,576,717</u>

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

<b>Community Redevelopment Fund</b>	<b>Baker Park Fund</b>	<b>Streets and Traffic Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total</b>
875,736	-	2,199,149	322,948	33,092,411
-	-	283,062	5,686,494	9,604,727
2,714,401	-	470,108	154,200	7,894,102
-	-	-	820,968	2,965,322
-	-	-	-	3,455,190
-	-	-	42,933	364,634
25,225	158,019	28,490	92,184	586,247
-	1,953,000	-	119,900	2,239,082
-	-	5,800	43,442	106,576
<u>3,615,362</u>	<u>2,111,019</u>	<u>2,986,609</u>	<u>7,283,069</u>	<u>60,308,291</u>
-	-	-	20,909	11,586,481
-	-	-	4,077,490	27,273,479
959,259	-	-	528,404	1,487,663
-	-	2,888,756	-	2,888,756
-	-	-	8,818	6,541,506
-	-	-	-	469,723
-	-	-	655,605	6,178,245
622,590	4,502,816	-	119,820	5,245,226
-	-	394,380	-	1,125,860
-	-	-	-	14,176
-	-	-	-	1,669,825
-	-	-	-	126,711
<u>1,581,849</u>	<u>4,502,816</u>	<u>3,283,136</u>	<u>5,411,046</u>	<u>64,607,651</u>
<u>2,033,513</u>	<u>(2,391,797)</u>	<u>(296,527)</u>	<u>1,872,023</u>	<u>(4,299,360)</u>
-	200,000	-	-	10,394,122
(991,411)	-	-	(472,228)	(8,374,022)
-	-	-	-	3,427,883
-	-	-	-	40,473
<u>(991,411)</u>	<u>200,000</u>	<u>-</u>	<u>(472,228)</u>	<u>5,488,456</u>
<u>1,042,102</u>	<u>(2,191,797)</u>	<u>(296,527)</u>	<u>1,399,795</u>	<u>1,189,096</u>
<u>1,169,752</u>	<u>14,189,043</u>	<u>2,886,839</u>	<u>8,357,123</u>	<u>48,859,417</u>
<u>2,211,854</u>	<u>11,997,246</u>	<u>2,590,312</u>	<u>9,756,918</u>	<u>50,048,513</u>

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, 2018

Net change in fund balances—total governmental funds (page 27)	\$ 1,189,096
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	8,014,224
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(25,307)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,758,058)
Some revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.	(62,784)
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.	3,073,972
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.	(1,494,416)
Change in net position of governmental activities (page 21)	<u>\$ 8,936,727</u>

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

**CITY OF NAPLES, FLORIDA**

Statement of Net Position

Proprietary Funds

September 30, 2018

	<b>Business-type Activities—Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Stormwater Fund</b>	<b>City Dock Fund</b>
<b>Assets</b>				
Current assets				
Cash and investments	\$ 29,417,663	1,632,449	8,341,008	868,977
Restricted cash and investments	349,302	-	-	-
Receivables (net, where applicable, of allowance for uncollectible)				
Accounts	5,322,584	924,685	705,918	32,699
Special assessments	435,587	-	-	-
Accrued interest	135,686	8,447	26,150	1,673
Advances due from other funds	3,375,300	-	1,057,350	-
Due from other funds	187,600	-	58,700	-
Inventories	970,848	-	-	5,164
Total current assets	<u>40,194,570</u>	<u>2,565,581</u>	<u>10,189,126</u>	<u>908,513</u>
Capital assets				
Land	1,761,684	1,145,053	234,866	-
Buildings and utility plants	61,273,624	528,790	-	-
Improvements other than buildings	52,821,316	4,511,402	-	6,869,536
Infrastructure	89,076,050	-	33,519,484	-
Equipment	25,457,397	4,660,435	1,172,081	269,266
Accumulated depreciation	(133,737,261)	(6,069,414)	(19,376,326)	(942,468)
Construction in progress	945,970	-	3,238,608	-
Net capital assets	<u>97,598,780</u>	<u>4,776,266</u>	<u>18,788,713</u>	<u>6,196,334</u>
Total assets	<u>137,793,350</u>	<u>7,341,847</u>	<u>28,977,839</u>	<u>7,104,847</u>
<b>Deferred Outflow of Resources</b>				
Deferred outflows - pensions	675,558	160,946	98,087	23,831
Deferred outflows - OPEB	53,424	12,720	5,088	1,272
Deferred charge on refunding	70,683	-	-	-
Total deferred outflows of resources	<u>799,665</u>	<u>173,666</u>	<u>103,175</u>	<u>25,103</u>

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

<b>Nonmajor Funds</b>	<b>Total</b>	<b>Governmental Activities– Internal Service Funds</b>
4,397,979	44,658,076	9,495,745
-	349,302	-
134,918	7,120,804	4,599
-	435,587	-
12,224	184,180	28,835
-	4,432,650	-
-	246,300	-
2,849	978,861	77,396
<u>4,547,970</u>	<u>58,405,760</u>	<u>9,606,575</u>
-	3,141,603	-
1,935,394	63,737,808	846,944
7,098,435	71,300,689	-
-	122,595,534	-
1,474,382	33,033,561	3,354,958
(7,940,556)	(168,066,025)	(3,353,154)
17,992	4,202,570	-
<u>2,585,647</u>	<u>129,945,740</u>	<u>848,748</u>
<u>7,133,617</u>	<u>188,351,500</u>	<u>10,455,323</u>
85,654	1,044,076	128,135
6,360	78,864	10,176
-	70,683	-
<u>92,014</u>	<u>1,193,623</u>	<u>138,311</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, 2018

	<b>Business-type Activities—Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Stormwater Fund</b>	<b>City Dock Fund</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 1,210,416	298,342	439,239	11,175
Accrued payroll	277,386	63,682	42,263	8,452
Due to other funds	-	-	-	305,000
Due to other governments	1,603,217	-	-	-
Unearned revenue	17,237	-	-	846
Accrued interest payable	21,202	-	957	-
Current portion of compensated absences	75,000	49,000	20,000	2,000
Current maturities of long-term debt	1,031,080	-	231,891	-
Insurance claims payable	-	-	-	-
Total payable from current assets	<u>4,235,538</u>	<u>411,024</u>	<u>734,350</u>	<u>327,473</u>
Current liabilities (payable from restricted assets)				
Customer deposits	24,265	-	-	79,808
Total current liabilities	<u>4,259,803</u>	<u>411,024</u>	<u>734,350</u>	<u>407,281</u>
Noncurrent liabilities				
Due in more than one year				
Revenue bonds payable, net of unamortized discounts and premiums	8,206,459	-	473,264	-
Compensated absences	560,780	83,900	45,769	6,524
Advances due to other funds	-	-	-	5,490,000
Net pension liability	2,439,162	581,109	354,152	86,044
Other post-employment benefits	925,757	220,419	88,167	22,042
Insurance claims payable	-	-	-	-
Total noncurrent liabilities	<u>12,132,158</u>	<u>885,428</u>	<u>961,352</u>	<u>5,604,610</u>
Total liabilities	<u>16,391,961</u>	<u>1,296,452</u>	<u>1,695,702</u>	<u>6,011,891</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pension	396,913	94,561	57,630	14,002
Deferred inflows - OPEB	25,386	6,044	2,418	604
Total deferred inflows of resources	<u>422,299</u>	<u>100,605</u>	<u>60,048</u>	<u>14,606</u>
<b>Net Position</b>				
Net investment in capital assets	88,431,924	4,776,266	18,083,558	6,196,334
Restricted for flexible benefits	-	-	-	-
Unrestricted	33,346,831	1,342,190	9,241,706	(5,092,881)
Net position of business-type activities	<u>\$ 121,778,755</u>	<u>6,118,456</u>	<u>27,325,264</u>	<u>1,103,453</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>
90,703	2,049,875	201,689
37,830	429,613	44,373
-	305,000	-
-	1,603,217	-
145,726	163,809	566
-	22,159	-
25,000	171,000	41,000
-	1,262,971	-
-	-	1,032,670
<u>299,259</u>	<u>6,007,644</u>	<u>1,320,298</u>
-	104,073	-
<u>299,259</u>	<u>6,111,717</u>	<u>1,320,298</u>
-	8,679,723	-
62,658	759,631	61,816
-	5,490,000	-
309,260	3,769,727	462,643
110,209	1,366,594	176,334
-	-	2,344,800
<u>482,127</u>	<u>20,065,675</u>	<u>3,045,593</u>
<u>781,386</u>	<u>26,177,392</u>	<u>4,365,891</u>
50,325	613,431	75,284
3,022	37,474	4,835
<u>53,347</u>	<u>650,905</u>	<u>80,119</u>
2,585,647	120,073,729	848,748
-	-	362,907
3,805,251	42,643,097	4,935,969
<u>6,390,898</u>	<u>162,716,826</u>	<u>6,147,624</u>
	<u>957,850</u>	
	<u>\$ 163,674,676</u>	

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

**CITY OF NAPLES, FLORIDA**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year Ended September 30, 2018

	<b>Business-type Activities—Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Stormwater Fund</b>	<b>City Dock Fund</b>
Operating revenues				
Charges for services				
Water revenues	\$ 17,387,583	-	-	-
Sewer revenues	15,315,034	-	-	-
Other	65,000	7,093,443	4,800,239	1,167,545
Total operating revenues	<u>32,767,617</u>	<u>7,093,443</u>	<u>4,800,239</u>	<u>1,167,545</u>
Operating expenses				
Personal services	7,427,772	1,772,398	1,052,360	201,855
Supplies, services and claims	5,082,567	3,905,108	1,502,962	673,479
Materials	2,164,956	-	-	-
Utilities	1,867,956	24,998	34,556	51,779
Depreciation and amortization	8,196,943	649,812	1,974,907	26,779
General administration	1,541,550	323,130	181,780	59,300
Other	588,512	23,091	36,851	-
Total operating expenses	<u>26,870,256</u>	<u>6,698,537</u>	<u>4,783,416</u>	<u>1,013,192</u>
Operating income (loss)	<u>5,897,361</u>	<u>394,906</u>	<u>16,823</u>	<u>154,353</u>
Nonoperating revenues (expenses)				
Operating grants	-	-	-	-
Interest income	263,548	8,091	80,564	5,385
Interest expense	(261,867)	-	(12,637)	-
Gain (loss) on sale of capital assets	70,005	10,104	-	(152,416)
Total nonoperating revenues (expenses)	<u>71,686</u>	<u>18,195</u>	<u>67,927</u>	<u>(147,031)</u>
Income (loss) before contributions and transfers	5,969,047	413,101	84,750	7,322
Capital contributions	1,011,861	-	-	-
Transfers in	-	-	-	-
Transfers out	(1,722,000)	(345,600)	-	-
Change in net position	<u>5,258,908</u>	<u>67,501</u>	<u>84,750</u>	<u>7,322</u>
Net position, beginning of year, as restated	116,519,847	6,050,955	27,240,514	1,096,131
Net position, end of year	<u>\$ 121,778,755</u>	<u>6,118,456</u>	<u>27,325,264</u>	<u>1,103,453</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>
-	17,387,583	-
-	15,315,034	-
<u>2,576,711</u>	<u>15,702,938</u>	<u>13,666,661</u>
<u>2,576,711</u>	<u>48,405,555</u>	<u>13,666,661</u>
1,052,813	11,507,198	1,161,490
1,079,996	12,244,112	13,197,089
-	2,164,956	-
131,030	2,110,319	25,345
479,950	11,328,391	359,686
183,360	2,289,120	399,680
113,913	762,367	8,018
<u>3,041,062</u>	<u>42,406,463</u>	<u>15,151,308</u>
<u>(464,351)</u>	<u>5,999,092</u>	<u>(1,484,647)</u>
201,900	201,900	-
36,903	394,491	89,677
-	(274,504)	-
10,850	(61,457)	955
<u>249,653</u>	<u>260,430</u>	<u>90,632</u>
(214,698)	6,259,522	(1,394,015)
-	1,011,861	-
47,500	47,500	-
-	(2,067,600)	-
<u>(167,198)</u>	<u>5,251,283</u>	<u>(1,394,015)</u>
<u>6,558,096</u>		<u>7,541,639</u>
<u>6,390,898</u>		<u>6,147,624</u>
	<u>100,401</u>	
	<u>\$ 5,351,684</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, 2018

	<b>Business-type Activities—Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Stormwater Fund</b>	<b>City Dock Fund</b>
Cash flows from operating activities				
Cash received from customers	\$ 33,118,667	7,156,711	4,806,113	1,231,206
Cash payments to suppliers	(10,179,150)	(4,277,293)	(1,843,744)	(1,447,733)
Cash payments to employees for services	(7,509,440)	(1,803,570)	(1,075,171)	(59,300)
Cash payments for interfund services	(1,541,550)	(323,130)	(181,780)	(196,841)
Net cash provided by (used in) operating activities	<u>13,888,527</u>	<u>752,718</u>	<u>1,705,418</u>	<u>(472,668)</u>
Cash flows from noncapital financing activities				
Transfers in (out)	(1,722,000)	(345,600)	133,950	-
Loans/advances and repayments from other funds	437,100	-	-	(705,000)
Operating grants	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>(1,284,900)</u>	<u>(345,600)</u>	<u>133,950</u>	<u>(705,000)</u>
Cash flows from capital and related financing activities				
Principal paid on long-term debt	(2,707,868)	-	(228,806)	-
Interest paid on long-term debt	(254,551)	-	(12,723)	-
Capital contributions	1,011,861	-	-	-
Proceeds from sale of capital assets	192,250	10,104	-	-
Acquisition and construction of capital assets	(7,536,024)	(208,115)	(1,261,362)	(4,413,642)
Net cash used in capital and related financing activities	<u>(9,294,332)</u>	<u>(198,011)</u>	<u>(1,502,891)</u>	<u>(4,413,642)</u>
Cash flows from investing activities				
Interest and investment earnings	195,483	7,221	79,119	6,673
Net cash provided by investing activities	<u>195,483</u>	<u>7,221</u>	<u>79,119</u>	<u>6,673</u>
Net change in cash and cash equivalents	3,504,778	216,328	415,596	(5,584,637)
Cash and cash equivalents, beginning of year	26,262,187	1,416,121	7,925,412	6,453,614
Cash and cash equivalents, end of year	<u>\$ 29,766,965</u>	<u>1,632,449</u>	<u>8,341,008</u>	<u>868,977</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 5,897,361	394,906	16,823	154,353
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	8,196,943	649,812	1,974,907	26,779
Changes in assets - (Increase) Decrease				
Accounts receivable, net	(65,904)	62,432	5,874	(16,221)
Miscellaneous receivables	-	-	-	-
Due from other governments	430,655	836	-	-
Inventories	(18,497)	-	-	(2,697)
Deferred outflows	201,800	50,761	33,040	8,000
Changes in liabilities - Increase (Decrease)				
Accounts payable	(587,897)	(324,096)	(269,375)	(719,778)
Accrued payroll	(6,299)	(1,736)	(671)	5,668
Due to other governments	221,613	-	-	-
Unearned revenue	(13,701)	-	-	74
Customer deposits	(90,378)	-	-	79,808
Insurance claims payable	-	-	-	-
Deferred inflows	184,719	44,004	25,553	6,225
Net pension liability	(556,712)	(132,632)	(80,832)	(19,639)
Total OPEB liability	62,244	14,821	5,928	1,482
Compensated absences	32,580	(6,390)	(5,829)	3,278
Net cash provided by (used in) operating activities	<u>\$ 13,888,527</u>	<u>752,718</u>	<u>1,705,418</u>	<u>(472,668)</u>
Noncash investing, capital, and financing activities				
Amortization of loss on revenue refunding bonds	\$ 18,684	-	-	-

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>
2,576,951	48,889,648	13,679,426
(1,130,932)	(18,878,852)	(13,499,986)
(895,055)	(11,342,536)	(847,056)
<u>(350,566)</u>	<u>(2,593,867)</u>	<u>(735,727)</u>
<u>200,398</u>	<u>16,074,393</u>	<u>(1,403,343)</u>
47,500	(1,886,150)	-
-	(267,900)	-
<u>201,900</u>	<u>201,900</u>	<u>-</u>
<u>249,400</u>	<u>(1,952,150)</u>	<u>-</u>
-	(2,936,674)	-
-	(267,274)	-
-	1,011,861	-
10,850	213,204	955
<u>(129,661)</u>	<u>(13,548,804)</u>	<u>(106,177)</u>
<u>(118,811)</u>	<u>(15,527,687)</u>	<u>(105,222)</u>
36,151	324,647	88,162
<u>36,151</u>	<u>324,647</u>	<u>88,162</u>
367,138	(1,080,797)	(1,420,403)
4,030,841	46,088,175	10,916,148
<u>4,397,979</u>	<u>45,007,378</u>	<u>9,495,745</u>
(464,351)	5,999,092	(1,484,647)
479,950	11,328,391	359,686
(68,010)	(81,829)	-
-	-	399
237,865	669,356	12,506
50	(21,144)	23,179
27,339	320,940	40,375
(43,908)	(1,945,054)	31,050
(1,706)	(4,744)	(1,192)
-	221,613	-
68,250	54,623	(140)
-	(10,570)	-
-	-	(323,763)
23,224	283,725	35,057
(70,585)	(860,400)	(105,593)
7,410	91,885	11,855
4,870	28,509	(2,115)
<u>200,398</u>	<u>16,074,393</u>	<u>(1,403,343)</u>
-	18,684	-

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, 2018

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,265,581	137
Contributions receivable	1,666,487	-
Investments, at fair value		
U.S. Treasury securities	4,205,901	-
U.S. Government agency securities	975,373	-
Municipal obligations	215,516	-
Asset-backed securities	6,584,491	-
Corporate bonds	14,542,965	-
Common stock/equity funds	120,494,871	-
Real estate investment trusts	14,638,287	-
Mutual funds	11,266,184	-
Alternative investments	7,090,315	-
Total investments	180,013,903	-
Total assets	184,945,971	137
<b>Liabilities</b>		
Accounts payable	304,563	137
Total liabilities	304,563	137
<b>Net position</b>		
Restricted for pension benefits	\$ 184,641,408	-

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, 2018

	<b>Pension Trust Funds</b>
Additions	
Contributions	
Employee contributions	\$ 1,545,348
Employer contributions	5,877,502
State contributions	1,258,329
Total contributions	8,681,179
Investment earnings	
Interest and dividend income	4,026,623
Net change in fair value of investments	14,305,741
Less investment expense	(947,969)
Net investment earnings	17,384,395
Total additions	26,065,574
Deductions	
Benefits paid	10,187,663
Refunds of contributions	1,474,478
General administration	370,695
Total deductions	12,032,836
Change in net position	14,032,738
Net position, restricted for pension benefits	
Beginning of year	170,608,670
End of year	\$ 184,641,408

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, 2018

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

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

### **A. Reporting Entity**

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

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

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

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

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

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

### **B. Government-wide and Fund Financial Statements**

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

Additionally the City reports the following fund types:

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Fund, Solid Waste Enterprise Fund, Stormwater Enterprise Fund, other Nonmajor Enterprise Funds, and the City's Internal Service Funds are charges to customers for sales and services.



THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

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

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

**D. Assets, Liabilities and Fund Balance/Net Position**

**1. Deposits and Investments**

**a. Cash and Cash Equivalents**

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

**b. Investments**

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

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

**2. Receivables and Payables**

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

**a. Advances to Other Funds**

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

**b. Short-term Interfund Receivables/Payables**

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

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

**3. Inventories**

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

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

**4. Restricted Assets**

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

**5. Capital Assets**

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

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

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

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

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

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

**6. Compensated Absences**

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

**7. Long-term Obligations**

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

**8. Net Position**

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

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

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

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

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

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

**Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: (1) nonspendable, (2) restricted, (3) committed, (4) assigned and (5) unassigned.

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

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

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

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

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

See Section 4(H) for a detail of restricted, committed and assigned fund balances.

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

**Fund Balance/Net Position Policy**

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

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

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

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

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

**9. Administrative Fees**

Certain administrative expenses are incurred by the General Fund on behalf of other funds of the City. The General Fund collects for these services based on a percentage of operating costs and personnel costs. The related reimbursements for these services are recorded as either an operating expense in the proprietary funds or as expenditure in the governmental funds. Such fees amounted to \$3,349,360 for fiscal year 2018, and included \$2,289,120 charged to enterprise funds, \$399,680 charged to internal service and fiduciary funds, and \$660,560 charged to the debt service fund, building and zoning, streets and traffic and CRA special revenue funds, and capital projects funds.

**10. Deferred Outflows/Inflows of Resources**

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

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

# THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

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

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

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

### 11. Pension

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

Debt payable	\$ (8,744,058)
Compensated absences	<u>(2,658,100)</u>
Net adjustment to reduce total fund balance—governmental funds to arrive at net position—governmental activities.	<u>\$ (11,402,158)</u>

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

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

Capital outlay	\$ 13,237,771
Depreciation expense	<u>(5,223,547)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities.	<u>\$ 8,014,224</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

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

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

Change in	
Compensated absences	\$ (109,294)
Deferred outflows - pensions	(2,289,530)
Deferred outflows - OPEB	130,554
Accrued interest	(21,136)
Net pension liability	8,006,274
Total OPEB liability	(192,658)
Deferred charge on refunding	(50,297)
Deferred inflows - pensions	(2,321,365)
Deferred inflows - OPEB	<u>(78,576)</u>
Net adjustment to increase net change in fund balances– total governmental funds to arrive at change in net position of governmental activities.	<u>\$ 3,073,972</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted for the general, special revenue, debt service, and capital project funds on a basis consistent with generally accepted accounting principles. The Improvement Fund, Public Arts Fund, Grants Fund, 41-10 Open Space Fund, Parking Trust Fund, Impact Fee Fund, and Land Contribution Fund, were governmental funds excluded from the appropriation process.

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

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



THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgeted amounts in the accompanying financial statements are as originally adopted, or as amended by the appropriate authority. Significant budget amendments made during the year include an increase in appropriations in the City Dock Fund of \$496,000 for continued design, engineering, and construction management services to replace the City dock and \$750,000 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	\$ 377,931
Capital Projects Fund	6,443,551
Community Redevelopment Fund	61,318
Baker Park Fund	13,147,307
Streets and Traffic Fund	308,056
Nonmajor governmental funds	831,093
Internal service funds	25,474
Business-type activities	
Water and Sewer Fund	3,791,040
Solid Waste Fund	14,388
Stormwater Fund	1,592,726
Stormwater Fund	11,221
Nonmajor Business-type funds	37,831
	<u>\$ 26,641,936</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. *Cash and Investments*

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

Cash and Cash Equivalents

Cash and cash equivalents in the general investment portfolio and pension portfolio consist of cash and money market accounts held by banks that qualify as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, *Florida Statutes* in the amount of \$12,298,132.

Investment Portfolios

Investment holdings consist of a \$93,511,288 General Investment Portfolio and a \$180,013,903 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*.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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, 2018, the City had the following investments with effective durations presented in terms of years:

**General Investment Portfolio**

<u>Investment Type</u>	<u>Credit Rating (Moody's)</u>	<u>Fair Market</u>	<u>Investment Maturity (in Years)</u>	
			<u>Less Than 1</u>	<u>1 - 5</u>
U.S. Treasury securities	Aaa	\$ 34,258,803	9,851,925	24,406,878
U.S. Government agency securities	Aaa	35,728,023	11,782,437	23,945,586
Corporate bonds	Aaa..Aa2	17,156,226	5,273,906	11,882,320
Money market fund	Aaa..Aa2	2,291,396	2,291,396	-
State investment pool	AAAm	4,076,840	4,076,840	-
Total investments		<u>\$ 93,511,288</u>	<u>33,276,504</u>	<u>60,234,784</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	\$ 4,205,901	-	1,267,758	2,938,143	-
U.S. Government agency securities	Aaa..A3	975,373	2,686	9,663	1,132	961,892
Municipal obligations	Aaa	215,516	-	-	215,516	-
Asset-backed securities	Aaa..Baa3	6,584,491	446,633	2,777,556	968,807	2,391,495
Corporate bonds	Aaa..Ba3	14,542,965	882,064	9,280,087	3,833,108	547,706
		26,524,246	<u>\$ 1,331,383</u>	<u>13,335,064</u>	<u>7,956,706</u>	<u>3,901,093</u>
Common stock/equity funds	Not rated	120,494,871				
Real estate investment trusts	Not rated	14,638,287				
Mutual funds	Not rated	11,266,184				
Alternative investments	Not rated	7,090,315				
Total investments		<u>\$ 180,013,903</u>				

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**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, 2018:

**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	\$ 34,258,803	34,258,803	-	-
U.S. Government agency securities	35,728,023	-	35,728,023	-
Corporate bonds	17,156,226	-	17,156,226	-
Investments Exempt from Level Disclosure:				
Money market fund	2,291,396	-	-	-
State investment pool	4,076,840	-	-	-
Total investments	<u>\$ 93,511,288</u>	<u>34,258,803</u>	<u>52,884,249</u>	<u>-</u>

**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	\$ 4,205,901	4,205,901	-	-
U.S. Government agency securities	975,373	-	975,373	-
Municipal obligations	215,516	-	215,516	-
Asset-backed securities	6,584,491	-	6,584,491	-
Corporate bonds	14,542,965	-	14,542,965	-
Common stock/equity funds	120,494,871	117,339,480	2,399,118	756,273
Mutual funds	11,266,184	11,266,184	-	-
Total by fair value level	<u>158,285,301</u>	<u>\$ 132,811,565</u>	<u>24,717,463</u>	<u>756,273</u>
Investments Measured at NAV:				
Real estate trust funds	14,638,287			
Alternative investments	7,090,315			
Total measured at fair value	<u>\$ 180,013,903</u>			

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

*Real estate funds.* This type includes two real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the net asset value (NAV) per share (or its equivalent) of the Plan's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years. 20% of the total investment in this type is expected to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital.

# THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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.

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.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

As of September 30, 2018, 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, 2018, 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	\$ 12,298,132	11.62%
Money Market	2,291,396	2.17%
State investment pool	4,076,840	3.85%
United States Treasury securities	34,258,803	32.38%
United States Agency securities	35,728,023	33.77%
Corporate bonds	17,156,226	16.21%
Total	<u>\$ 105,809,420</u>	

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

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

As of September 30, 2018, the City’s Pension Portfolio had the following issuer concentration based on fair value:

**Pension Concentration**

<b>Issuer</b>	<b>Fair Value</b>	<b>Percentage of Portfolio</b>
Cash	\$ 1,922	0.00%
Money Market	3,263,659	1.78%
U.S. Treasury securities	4,205,901	2.29%
U.S. Government agency securities	975,373	0.53%
Municipal obligations	215,516	0.12%
Asset-backed securities	6,584,491	3.59%
Corporate bonds	14,542,965	7.93%
Common stock/equity funds	120,494,871	65.74%
Mutual funds	11,266,184	6.15%
Real estate trust funds	14,638,287	7.99%
Alternative investments	7,090,315	3.87%
Total	\$ 183,279,484	

**Foreign Currency Risk**

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

***B. Property Taxes***

The City’s property tax is levied each November 1, on the assessed value for all property located within the City. Assessed values are established by the Collier County Property Appraiser at fair values. At January 1, 2017, the assessed value of the principal taxing authority’s property upon which the 2017-2018 tax levy was based was \$21.5 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2018, was 1.1500 (\$1.18 per \$1,000 of assessed value). The assessed values at January 1, 2017, of the dependent special districts, East Naples Bay and Moorings Bay, were \$615 million, and \$1,993 million, respectively. In addition to the City’s millage rate and the voted debt service millage rate, 0.5000 (\$0.5000 per \$1,000 of assessed value) is added to the East Naples Bay dependent special district and 0.0125 (\$0.0125 per \$1,000 of assessed value) is added to the Moorings Bay dependent special district to finance capital projects for the fiscal year ended September 30, 2018.

Total ad valorem taxes collected for the year ended September 30, 2018, aggregated \$24,431,761, net of cash discounts, of which \$23,233,077 was designated for general government services, \$875,736 for the Community Redevelopment Agency, \$298,841 for East Naples Bay Taxing District, and \$24,107 for the Moorings Bay Taxing District.

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

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

The property owners’ tax calendar is as follows:

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

For the 2016 tax roll year, the assessment roll was opened for collection on November 1, 2016, and discounts for payment prior to April 1, 2018, were determined as follows:

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

Taxes become delinquent on April 1 of each year and tax certificates for the full amount of any unpaid taxes must be sold no later than June 1 of the same year. No amount for the property tax levy becoming due in November 2018, is included in the accompanying financial statements since such taxes are levied to finance expenditures of the subsequent period.

**C. Receivables**

Receivables at September 30, 2018, for the City’s individual major funds and for the total nonmajor funds were as follows:

	<b>Accounts/ Miscellaneous Receivable</b>	<b>Special Assessments</b>	<b>Utility Taxes</b>	<b>Due From Other Governments</b>	<b>Interest and Other</b>	<b>Total</b>
Governmental activities						
Major funds						
General Fund	\$ 681,242	-	-	2,347,100	99,810	3,128,152
Debt Service Fund	-	-	244,930	-	1,368	246,298
Capital Projects Fund	-	-	-	-	24,157	24,157
Community Redevelopment Fund	-	-	-	-	17,344	17,344
Streets and Traffic Fund	400	-	-	-	12,811	13,211
Nonmajor funds	99,390	-	-	15,420	30,641	145,451
Internal Service Fund	4,599	-	-	-	28,835	33,434
	<u>\$ 785,631</u>	<u>-</u>	<u>244,930</u>	<u>2,362,520</u>	<u>214,966</u>	<u>3,608,047</u>
Business type activities						
Major funds						
Water and Sewer Fund	\$ 5,322,584	435,587	-	-	135,686	5,893,857
Solid Waste Fund	924,685	-	-	-	8,447	933,132
Stormwater Fund	705,918	-	-	-	26,150	732,068
City Dock Fund	32,699	-	-	-	1,673	34,372
Nonmajor funds	134,918	-	-	-	12,224	147,142
	<u>\$ 7,120,804</u>	<u>435,587</u>	<u>-</u>	<u>-</u>	<u>184,180</u>	<u>7,740,571</u>

The above receivables are net of an allowance for uncollectible accounts which is based on historical trends and/or the age of the receivable. The allowances at September 30, 2018, are as follows:

Water and Sewer Fund	\$ 10,826
Solid Waste Fund	1,607
Stormwater Fund	3,345
	<u>\$ 15,778</u>



**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS CONTINUED)**

***D. Capital Assets***

**Governmental Activities**

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2018, 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	6,680,933	11,330,001	(7,028,159)	10,982,775
Total capital assets not being depreciated	<u>23,099,210</u>	<u>11,330,001</u>	<u>(7,028,159)</u>	<u>27,401,052</u>
Capital assets being depreciated				
Buildings	39,127,843	96,149	1,009,334	40,233,326
Improvements other than buildings	40,970,191	252,108	970,681	42,192,980
Infrastructure	32,081,870	272,517	4,419,450	36,773,837
Equipment	24,915,347	1,393,176	580,934	26,889,457
Total capital assets being depreciated	<u>137,095,251</u>	<u>2,013,950</u>	<u>6,980,399</u>	<u>146,089,600</u>
Less accumulated depreciation for				
Buildings	(20,409,213)	(1,229,580)	-	(21,638,793)
Improvements other than buildings	(28,828,368)	(1,706,816)	-	(30,535,184)
Infrastructure	(24,476,641)	(750,732)	-	(25,227,373)
Equipment	(17,400,633)	(1,896,105)	22,450	(19,274,288)
Total accumulated depreciation	<u>(91,114,855)</u>	<u>(5,583,233)</u>	<u>22,450</u>	<u>(96,675,638)</u>
Total capital assets being depreciated, net	<u>45,980,396</u>	<u>(3,569,283)</u>	<u>7,002,849</u>	<u>49,413,962</u>
<b>Total governmental capital assets, net</b>	<u>\$ 69,079,606</u>	<u>7,760,718</u>	<u>(25,310)</u>	<u>76,815,014</u>

Depreciation expense was charged to the governmental activities as follows:

Governmental activities	
General government	\$ 403,729
Public safety	1,420,036
Physical and economic environment	1,407,648
Transportation	837,802
Cultural and recreation	1,154,332
Internal service	<u>359,686</u>
Total depreciation expense, governmental activities	<u>\$ 5,583,233</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**Business-type Activities**

A summary of changes in capital assets of business-type activities for the year ended September 30, 2018, is as follows:

<b>Water and Sewer Fund</b>	<b>Balance October 1</b>	<b>Additions</b>	<b>Transfers/ Retirements</b>	<b>Balance September 30</b>
Capital assets not being depreciated				
Land and easements	\$ 1,761,684	-	-	1,761,684
Construction in progress	835,557	2,000,145	(1,889,732)	945,970
Total capital assets not being depreciated	<u>2,597,241</u>	<u>2,000,145</u>	<u>(1,889,732)</u>	<u>2,707,654</u>
Capital assets being depreciated				
Buildings and utility plants	61,253,719	19,905	-	61,273,624
Improvements other than buildings	52,033,383	787,933	-	52,821,316
Infrastructure	86,528,273	1,238,946	1,308,831	89,076,050
Equipment	21,509,746	3,489,095	458,556	25,457,397
Total capital assets being depreciated	<u>221,325,121</u>	<u>5,535,879</u>	<u>1,767,387</u>	<u>228,628,387</u>
Less accumulated depreciation for				
Buildings	(32,525,735)	(1,406,858)	-	(33,932,593)
Improvements other than buildings	(29,148,242)	(2,681,662)	-	(31,829,904)
Infrastructure	(50,001,441)	(2,604,014)	-	(52,605,455)
Equipment	(13,872,341)	(1,496,968)	-	(15,369,309)
Total accumulated depreciation	<u>(125,547,759)</u>	<u>(8,189,502)</u>	<u>-</u>	<u>(133,737,261)</u>
Total capital assets being depreciated, net	<u>95,777,362</u>	<u>(2,653,623)</u>	<u>1,767,387</u>	<u>94,891,126</u>
Water and sewer fund capital assets, net	<u>\$ 98,374,603</u>	<u>(653,478)</u>	<u>(122,345)</u>	<u>97,598,780</u>
<b>Solid Waste Fund</b>	<b>Balance October 1</b>	<b>Additions</b>	<b>Transfers/ Retirements</b>	<b>Balance September 30</b>
Capital assets not being depreciated				
Land	\$ 1,145,053	-	-	1,145,053
Total capital assets not being depreciated	<u>1,145,053</u>	<u>-</u>	<u>-</u>	<u>1,145,053</u>
Capital assets being depreciated				
Buildings and utility plants	528,790	-	-	528,790
Improvements other than buildings	4,511,402	-	-	4,511,402
Equipment	4,452,321	208,114	-	4,660,435
Total capital assets being depreciated	<u>9,492,513</u>	<u>208,114</u>	<u>-</u>	<u>9,700,627</u>
Less accumulated depreciation for				
Buildings	(440,534)	(25,516)	-	(466,050)
Improvements other than buildings	(1,543,771)	(201,170)	-	(1,744,941)
Equipment	(3,435,297)	(423,126)	-	(3,858,423)
Total accumulated depreciation	<u>(5,419,602)</u>	<u>(649,812)</u>	<u>-</u>	<u>(6,069,414)</u>
Total capital assets being depreciated, net	<u>4,072,911</u>	<u>(441,698)</u>	<u>-</u>	<u>3,631,213</u>
Solid waste fund capital assets, net	<u>\$ 5,217,964</u>	<u>(441,698)</u>	<u>-</u>	<u>4,776,266</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

<b>Stormwater Fund</b>	<b>Balance October 1</b>	<b>Additions</b>	<b>Transfers/ retirements</b>	<b>Balance September 30</b>
Capital assets not being depreciated				
Land	\$ 234,866	-	-	234,866
Construction in progress	3,981,129	243,344	(985,865)	3,238,608
Total capital assets not being depreciated	4,215,995	243,344	(985,865)	3,473,474
Capital assets being depreciated				
Infrastructure	31,549,618	1,969,866	-	33,519,484
Equipment	1,138,064	34,017	-	1,172,081
Total capital assets being depreciated	32,687,682	2,003,883	-	34,691,565
Less accumulated depreciation for				
Infrastructure	(16,807,868)	(1,807,669)	-	(18,615,537)
Equipment	(593,551)	(167,238)	-	(760,789)
Total accumulated depreciation	(17,401,419)	(1,974,907)	-	(19,376,326)
Total capital assets being depreciated, net	15,286,263	28,976	-	15,315,239
Stormwater fund capital assets, net	\$ 19,502,258	272,320	(985,865)	18,788,713

<b>City Dock Fund</b>	<b>Balance October 1</b>	<b>Additions</b>	<b>Transfers/ retirements</b>	<b>Balance September 30</b>
Capital assets not being depreciated				
Land	\$ -	-	-	-
Construction in progress	1,960,555	4,413,643	(6,374,198)	-
Total capital assets not being depreciated	1,960,555	4,413,643	(6,374,198)	-
Capital assets being depreciated				
Buildings and utility plants	-	-	-	-
Improvements other than buildings	647,755	6,221,781	-	6,869,536
Equipment	269,266	-	-	269,266
Total capital assets being depreciated	917,021	6,221,781	-	7,138,802
Less accumulated depreciation for				
Buildings and utility plants	-	-	-	-
Improvements other than buildings	(646,424)	(26,779)	-	(673,203)
Equipment	(269,265)	-	-	(269,265)
Total accumulated depreciation	(915,689)	(26,779)	-	(942,468)
Total capital assets being depreciated, net	1,332	6,195,002	-	6,196,334
Stormwater fund capital assets, net	\$ 1,961,887	10,608,645	(6,374,198)	6,196,334

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

<u>Nonmajor Funds</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated:				
Construction in progress	\$ 2,619	17,992	(2,619)	17,992
Total capital assets not being depreciated	<u>2,619</u>	<u>17,992</u>	<u>(2,619)</u>	<u>17,992</u>
Capital assets being depreciated				
Buildings and utility plants	1,935,394	-	-	1,935,394
Improvements other than buildings	7,093,080	5,355	-	7,098,435
Equipment	1,365,450	108,932	-	1,474,382
Total capital assets being depreciated	<u>10,393,924</u>	<u>114,287</u>	<u>-</u>	<u>10,508,211</u>
Less accumulated depreciation for				
Buildings	(1,567,031)	(56,515)	-	(1,623,546)
Improvements other than buildings	(4,926,213)	(296,007)	-	(5,222,220)
Equipment	(967,362)	(127,428)	-	(1,094,790)
Total accumulated depreciation	<u>(7,460,606)</u>	<u>(479,950)</u>	<u>-</u>	<u>(7,940,556)</u>
Total capital assets being depreciated, net	<u>2,933,318</u>	<u>(365,663)</u>	<u>-</u>	<u>2,567,655</u>
Nonmajor fund capital assets, net	<u>\$ 2,935,937</u>	<u>(347,671)</u>	<u>(2,619)</u>	<u>2,585,647</u>
<b>Total business-type capital assets, net</b>	<u>\$ 127,992,649</u>	<u>9,438,118</u>	<u>(7,485,027)</u>	<u>129,945,740</u>

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

Business-type activities	
Water and sewer	\$ 8,189,502
Solid waste	649,812
Stormwater	1,974,907
City dock	26,779
Other	479,950
	<u>                    </u>
Total depreciation expense, business-type activities	<u>\$ 11,320,950</u>

**E. Interfund Transactions**

Advances from/to other funds are as follows:

	<u>Advances Receivable</u>	<u>Advances Payable</u>
Governmental activities		
Major fund		
General Fund	\$ 1,057,350	-
Business-type activities		
Major funds		
Water & Sewer Fund	3,375,300	-
Stormwater Fund	1,057,350	-
City Dock Fund	-	5,490,000
	<u>                    </u>	<u>                    </u>
	<u>\$ 5,490,000</u>	<u>5,490,000</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

Advances to the City Dock Fund represent funds used to construct certain infrastructure and dredging improvements and will be repaid according to set schedules. Repayment amounts scheduled to be paid within one year are recorded as Due from the City Dock Fund, as follows:

	<b>Interfund receivable</b>	<b>Interfund payable</b>
Governmental activities		
Major fund		
General Fund	\$ 58,700	-
Business-type activities		
Major funds		
Water & Sewer Fund	187,600	-
Stormwater Fund	58,700	-
City Dock Fund	-	305,000
	\$ 305,000	305,000

Transfers during the year consisted of the following:

	<b>Transfers In</b>	<b>Transfers Out</b>
Governmental activities		
Major funds		
General Fund	\$ 2,067,600	47,500
Debt Service Fund	991,411	6,862,883
Capital Projects Fund	7,135,111	-
Community Redevelopment Fund	-	991,411
Baker Park Fund	200,000	-
Nonmajor funds	-	472,228
Business-type activities		
Major funds		
Water and Sewer Fund	-	1,722,000
Solid Waste Fund	-	345,600
Nonmajor fund		
Tennis Fund	47,500	-
	\$ 10,441,622	10,441,622

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 \$991,411 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 \$6,862,883 used for capital expenditures. The transfer from the General Fund into the Tennis Fund in the amount of \$47,500 was to help defer costs when members could not use the facility due to tournaments and public events. Transfers into the Baker Park Fund in the amount of \$200,000 were used for capital expenditures related to Baker Park.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

***F. Accounts Payable and Accrued Expenses***

Accounts payable and accrued expenses at September 30, 2018, 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	\$ 1,962,883	1,017,156	2,980,039
Capital Projects Fund	1,097,935	-	1,097,935
Community Redevelopment Fund	84,013	24,576	108,589
Baker Park Fund	656,493	-	656,493
Streets and Traffic Fund	203,268	21,189	224,457
Nonmajor funds	358,007	106,372	464,379
Internal Service Fund	201,689	44,373	246,062
	<u>\$ 4,564,288</u>	<u>1,213,666</u>	<u>5,777,954</u>
Business-type activities			
Major funds			
Water and Sewer Fund	\$ 1,210,416	277,386	1,487,802
Solid Waste Fund	298,342	63,682	362,024
Stormwater Fund	439,239	42,263	481,502
City Dock Fund	11,175	8,452	19,627
Nonmajor funds	90,703	37,830	128,533
	<u>\$ 2,049,875</u>	<u>429,613</u>	<u>2,479,488</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Long-Term Obligations**

Long-term liabilities of the governmental activities at September 30, 2018, are comprised of the following:

Capital Improvement Refunding Revenue Note, Series 2018, issued in the amount of \$3,427,883 to finance the construction of Fire Station #1; annual principal and interest payments in the amount of \$387,503 through September 30, 2028. Non-ad valorem revenues are pledged to secure this issue. Interest rate is 2.75%.	\$ 3,348,058
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%.	5,396,000
Claims payable	3,377,470
Net pension liability	36,421,063
Total OPEB liability	3,041,771
Compensated absences payable	2,760,916
	\$ 54,345,278

Changes in long-term obligations for governmental activities for the year ended September 30, 2018, are as follows:

Governmental Activities	Balance October 1	Additions	Retired	Balance September 30	Due in One Year
Debt payable					
2018 Capital Improvement Revenue Note	-	3,427,883	(79,825)	3,348,058	295,432
2013 Capital Improvement Refunding Revenue Note	\$ 6,986,000	-	(1,590,000)	5,396,000	1,595,000
Total debt payable	6,986,000	3,427,883	(1,669,825)	8,744,058	1,890,432
Claims payable	3,701,233	8,009,633	(8,333,396)	3,377,470	1,032,670
Net pension liability	44,532,930	16,173,138	(24,285,005)	36,421,063	-
Total OPEB liability	2,837,257	338,547	(134,033)	3,041,771	-
Compensated absences payable	2,653,737	1,956,045	(1,848,866)	2,760,916	522,354
Total	\$ 60,711,157	29,905,246	(36,271,125)	54,345,278	3,445,456

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 \$102,816 in compensated absences, \$3,374,470 in claims payable, \$176,334 in total other post-employment benefits liability, and \$462,642 in net pension liability reported in the internal service funds are included in the above amounts and will be liquidated by the internal service funds. The remaining compensated absences balances are expected to be liquidated by the following funds in the following amounts: General Fund \$2,333,380, Building and Zoning Fund \$151,075, Community Redevelopment Fund \$28,026, Streets and Traffic Fund \$145,619. The remaining total other post-employment benefits liability and net pension liability will generally be liquidated by the General Fund.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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			
2019	\$ 1,890,432	158,322	2,048,754
2020	1,928,556	127,333	2,055,889
2021	2,041,904	95,423	2,137,327
2022	766,481	68,083	834,564
2023	329,294	58,209	387,503
2024 - 2027	1,787,391	150,126	1,937,517
	<u>\$ 8,744,058</u>	<u>657,496</u>	<u>9,401,554</u>

Long-term liabilities of the business-type activities at September 30, 2018, 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. \$ 5,235,000

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. 3,032,000

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%. 498,745



**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

Special Assessment Revenue Bond, Series 2015, issued in the amount of \$650,000 to currently fund the Bembury Project; semi-annual principal and interest payments are \$73,882, with final maturity on July 1, 2025; secured by special assessment revenues of the water/sewer utility system; interest rate of

	471,794
Net pension liability	2,439,162
Total OPEB liability	925,757
Compensated absences payable	635,780
Total water and sewer fund	\$ 13,238,238

**Solid Waste Fund**

Net pension liability	\$ 581,109
Total OPEB liability	220,419
Compensated absences payable	132,900
Total solid waste fund	\$ 934,428

**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%.

	\$ 705,155
Net pension liability	354,152
Total OPEB liability	88,167
Compensated absences payable	65,769
Total stormwater fund	\$ 1,213,243

**City Dock Fund**

Net pension liability	\$ 86,044
Total OPEB liability	22,042
Compensated absences payable	8,524
Total city dock fund	\$ 116,610

**Nonmajor funds**

Net pension liability	\$ 309,260
Total OPEB liability	110,209
Compensated absences payable	87,658
Total nonmajor funds	\$ 507,127

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

Changes in long-term obligations for business-type activities for the year ended September 30, 2018, 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	\$ 5,744,000	-	(509,000)	5,235,000	523,000
Public Utilities Refunding Revenue Bond, Series 2012B	3,328,000	-	(296,000)	3,032,000	304,000
Public Utilities Refunding Revenue Bond, Series 2013	3,274,220	-	(2,070,320)	1,203,900	373,176
Special Assessment Revenue Bond, Series 2015	533,147	-	(61,353)	471,794	62,795
Total debt payable	<u>12,879,367</u>	<u>-</u>	<u>(2,936,673)</u>	<u>9,942,694</u>	<u>1,262,971</u>
Net pension liability	4,630,127	2,114,736	(2,975,136)	3,769,727	-
Total OPEB liability	1,274,709	152,101	(60,216)	1,366,594	-
Compensated absences payable	902,122	102,461	(73,952)	930,631	171,000
Total	<u>\$ 19,686,325</u>	<u>2,369,298</u>	<u>(6,045,977)</u>	<u>16,009,646</u>	<u>1,433,971</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, 2018, 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			
2019	\$ 1,031,080	232,638	1,263,718
2020	1,056,473	207,677	1,264,150
2021	1,081,893	182,080	1,263,973
2022	1,029,471	155,907	1,185,378
2023	984,909	130,943	1,115,852
2024 - 2027	4,053,713	263,492	4,317,205
	<u>\$ 9,237,539</u>	<u>1,172,737</u>	<u>10,410,276</u>

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

**Stormwater Fund:**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended September 30			
2019	\$ 231,891	8,030	239,921
2020	235,033	4,903	239,936
2021	238,231	1,332	239,563
	<u>\$ 705,155</u>	<u>14,265</u>	<u>719,420</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.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

***H. Fund Equity***

The following is a summary of fund balances that were nonspendable, restricted, committed or assigned as of September 30, 2018:

	General Fund	Debt Service Fund	Capital Projects Fund	Community Redevelopment Fund	Baker Park Fund	Streets and Traffic Fund	Other Nonmajor Governmental	Total
Fund balances								
Nonspendable								
Inventory	\$ -	-	-	-	-	16,931	-	16,931
Prepaid items	18,524	-	-	-	-	-	-	18,524
Advances to other funds	1,057,350	-	-	-	-	-	-	1,057,350
	<u>1,075,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,931</u>	<u>-</u>	<u>1,092,805</u>
Restricted								
Donations, various	-	-	-	-	-	-	386,215	386,215
Capital projects - impact fees	-	-	-	-	-	-	591,890	591,890
Capital projects - parks & rec.	-	-	-	-	11,997,246	-	-	11,997,246
Dredging projects	-	-	-	-	-	-	2,005,333	2,005,333
Transportation	-	-	-	-	-	2,573,381	-	2,573,381
Police programs	-	-	-	-	-	-	417,985	417,985
Economic development	-	-	-	2,211,854	-	-	-	2,211,854
Coral reef construction	-	-	-	-	-	-	8,160	8,160
Building and zoning operations	-	-	-	-	-	-	4,103,232	4,103,232
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,211,854</u>	<u>11,997,246</u>	<u>2,573,381</u>	<u>7,512,815</u>	<u>24,295,296</u>
Committed								
Public arts program	-	-	-	-	-	-	555,644	555,644
Emergency reserve	3,562,759	-	-	-	-	-	-	3,562,759
Capital projects	-	-	2,043,842	-	-	-	-	2,043,842
Contracts	413,211	-	4,399,709	-	-	-	-	4,812,920
Handicap accessibility	70,927	-	-	-	-	-	-	70,927
Economic development	-	-	-	-	-	-	1,585,465	1,585,465
Land conservation	-	-	-	-	-	-	9,210	9,210
	<u>4,046,897</u>	<u>-</u>	<u>6,443,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,150,319</u>	<u>12,640,767</u>
Assigned								
Debt service	-	1,325,386	-	-	-	-	-	1,325,386
Encumbrances	377,931	-	-	-	-	-	-	377,931
Economic development	-	-	-	-	-	-	93,784	93,784
Capital projects	-	-	3,133,166	-	-	-	-	3,133,166
	<u>377,931</u>	<u>1,325,386</u>	<u>3,133,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,784</u>	<u>4,930,267</u>
Unassigned	<u>7,089,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,089,378</u>
Total fund balance	<u>\$ 12,590,080</u>	<u>1,325,386</u>	<u>9,576,717</u>	<u>2,211,854</u>	<u>11,997,246</u>	<u>2,590,312</u>	<u>9,756,918</u>	<u>50,048,513</u>

***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).

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2018, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	252
Vested terminated employees	88
Active employees	310

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.

As of September 30, 2018, 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, 2018, there was no investment type or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

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

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

**Plan Disclosures**

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of these standards significantly changed the disclosures required related to the Plan. The information disclosed below is presented in accordance with these new standards. The Plans do not issue separate financial statements.

**Net Pension Liability of the City**

The City’s net pension liability was measured as of September 30, 2017. The components of the net pension liability of the City at September 30, 2018, were as follows:

Total pension liability	\$ 68,709,548
Plan fiduciary net position	<u>(56,239,396)</u>
City's net pension liability	<u>\$ 12,470,152</u>
Plan fiduciary net position as a percentage of Total pension liability	81.85%

In addition, in accordance with GASB Statement No. 67, information related to the plan measured as of September 30, 2018, is as follows:

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

For the year ended September 30, 2018, the City recognized pension expense of \$1,216,599 for the general employee plan. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows related to its plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 1,254,841	-
Differences between expected and actual experience	255,571	809,748
Net difference between projected and actual earnings on investments	-	1,219,461
City pension plan contributions subsequent to the measurement date	1,943,363	-
Total	<b>\$ 3,453,775</b>	<b>2,029,209</b>

The deferred outflows of resources related to the Pension Plan, totaling \$1,943,363 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, 2019. 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,	
2019	\$ 48,686
2020	405,581
2021	(492,791)
2022	(480,273)
2023	-
Total	<b>\$ (518,797)</b>

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	6.66%
International Equity	6.10%
Fixed Income	2.42%
Real Estate	3.36%
Hedge Funds	3.00%
MLPs	5.25%

*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, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

*Changes in the Net Pension Liability of the City.* The changes in components of the net pension liability to the City for the year ended September 30, 2018, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2017	\$ 66,303,352	50,987,023	15,316,329
Changes for the year:			
Service cost	1,550,588	-	1,550,588
Interest	4,929,787	-	4,929,787
Differences between expected and actual experience	172,717	-	172,717
Assumption Changes	-	-	-
Contributions-employer	-	1,785,446	(1,785,446)
Contributions-employee	-	670,402	(670,402)
Net investment income	-	7,212,061	(7,212,061)
Benefit payments, including refunds of employee contributions	(4,246,896)	(4,246,896)	-
Administrative expense	-	(168,640)	168,640
Net changes	2,406,196	5,252,373	(2,846,177)
Balances at September 30, 2018	\$ 68,709,548	56,239,396	12,470,152

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:

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
City's net pension liability - September 30, 2017	\$ 19,270,932	12,470,152	6,457,796



**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

In addition, in accordance with GASB 67, the following presents the net pension liability of the Plan, calculated using the discount rate of 7.40%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40%) or 1-percentage-point higher (8.40%) than the current rate:

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as October 1, 2017.

The assumptions used in the October 1, 2017, actuarial valuation are as follows.

**Actuarial Assumptions**

Funding Method	Entry Age Actuarial Cost Method.
Amortization Method	Level Percentage of Pay, closed
Remaining Amortization Period	30 years
Actuarial Asset Valuation Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation	2.30%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.0% to 6.0% based on service

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

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

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

The current membership as of October 1, 2018, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	72
Vested terminated employees	16
DROP employees	9
Active employees	58

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, 2018, 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, 2018, there were no investment types or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

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

The Plan’s funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis or 3% for employees hired after April 1, 2012. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all Plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City’s contribution is adjusted accordingly. All costs of administering the Plan are paid from the Plan assets. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida’s contribution to the Police Officers’ Pension Plan for the year ended was \$718,404. The City recognized these on-behalf payments from the state as revenues and expenditures in the governmental fund financial statements.

Plan Disclosures

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of these standards significantly changed the disclosures required related to the Plan. The information disclosed below is presented in accordance with these new standards. The Plans do not issue separate financial statements.

Net Pension Liability of the City

The City’s net pension liability was measured as of September 30, 2017. The components of the net pension liability of the City at September 30, 2018, were as follows:

Total pension liability	\$ 66,476,240
Plan fiduciary net position	<u>(49,686,420)</u>
City's net pension liability	<u>\$ 16,789,820</u>
Plan fiduciary net position as a percentage of Total pension liability	74.74%

In addition, in accordance with GASB Statement No. 67, information related to the plan measured as of September 30, 2018, is as follows:

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

For the year ended September 30, 2018, the City recognized pension expense of \$1,825,393 for the police employee plan. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows related to its plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 217,970	-
Differences between expected and actual experience	153,292	-
Net difference between projected and actual earnings on investments	-	1,025,469
City pension plan contributions subsequent to the measurement date	2,772,066	-
<b>Total</b>	<b>\$ 3,143,328</b>	<b>1,025,469</b>

The deferred outflows of resources related to the Pension Plan, totaling \$2,772,066 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, 2019. 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,	
2019	\$ (52,310)
2020	(161,630)
2021	455,554
2022	412,593
2023	-
<b>Total</b>	<b>\$ 654,207</b>

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	6.02%
International Equity	5.60%
Fixed Income	2.12%
Real Estate	2.97%
Hedge Funds	2.72%
MLPs	4.75%

*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.

*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, 2018, were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at September 30, 2017	\$ 65,006,262	45,056,993	19,949,269
Changes for the year:			
Service cost	797,597	-	797,597
Interest	4,773,491	-	4,773,491
Differences between expected and actual experience	148,418	-	148,418
Assumption Changes	-	-	-
Contributions–employer	-	1,803,678	(1,803,678)
Contributions–state	-	792,677	(792,677)
Contributions–employee	-	232,664	(232,664)
Net investment income	-	6,154,401	(6,154,401)
Benefit payments, including refunds of employee contributions	(4,249,528)	(4,249,528)	-
Administrative expense	-	(104,465)	104,465
Net changes	<u>1,469,978</u>	<u>4,629,427</u>	<u>(3,159,449)</u>
Balances at September 30, 2018	<u>\$ 66,476,240</u>	<u>49,686,420</u>	<u>16,789,820</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

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

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, 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 - September 30, 2017	\$ 23,980,373	16,789,820	10,367,834

In addition, in accordance with GASB 67, the following presents the net pension liability of the Plan, calculated using the discount rate of 7.40%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40%) or 1-percentage-point higher (8.40%) than the current rate:

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

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, 2017.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

The assumptions used in the October 1, 2017, actuarial valuation are as follows.

**Actuarial Assumptions**

Funding Method	Entry Age Actuarial Cost Method.
Amortization Method	Level Percentage of Pay, closed
Remaining Amortization Period	30 years
Actuarial Asset Valuation Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation	2.30%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.0% to 6.0% based on service

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

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

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

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

The current membership as of October 1, 2018, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	42
Vested terminated employees	8
DROP employees	10
Active employees	46

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

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

The Plan also provides disability and survivors’ benefits.

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

As of September 30, 2018, 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, 2018, there were no investment types or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.



THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

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

The Plan’s funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis or 3% for employees hired after May 31, 2014. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City’s contribution is adjusted accordingly. All costs of administering the Plan are paid from Plan assets. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida’s contribution to the Firefighters’ Pension Plan for the year ended September 30, 2018, was \$539,925. The City recognized these on-behalf payments from the state as revenues and expenditures in the governmental fund financial statements.

**Plan Disclosures**

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of these standards significantly changed the disclosures required related to the Plan. The information disclosed below is presented in accordance with these new standards. The Plans do not issue separate financial statements.

**Net Pension Liability of the City**

The City’s net pension liability was measured as of September 30, 2017. The components of the net pension liability of the City at September 30, 2018, were as follows:

Total pension liability	\$64,897,113
Plan fiduciary net position	(53,966,295)
City's net pension liability	<u>\$10,930,818</u>
Plan fiduciary net position as a percentage of Total pension liability	83.16%

In addition, in accordance with GASB Statement No. 67, information related to the plan measured as of September 30, 2018, is as follows:

Total pension liability	\$68,037,467
Plan fiduciary net position	(59,406,380)
City's net pension liability	<u>\$ 8,631,087</u>
Plan fiduciary net position as a percentage of Total pension liability	87.31%

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

For the year ended September 30, 2018, the City recognized pension expense of \$1,563,975 for the firefighters employee plan. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows related to its plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 826,670	-
Differences between expected and actual experience	229,925	123,517
Net difference between projected and actual earnings on investments	-	1,085,936
City pension plan contributions subsequent to the measurement date	2,133,878	-
Total	<b>\$ 3,190,473</b>	<b>1,209,453</b>

The deferred outflows of resources related to the Pension Plan, totaling \$2,133,878 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, 2019. 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,		
2019	\$	70,164
2020		(334,479)
2021		267,312
2022		180,307
2023		(30,446)
Total	\$	152,858

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	6.02%
International Equity	5.60%
Fixed Income	2.12%
Real Estate	2.97%
Hedge Funds	2.64%
MLPs	4.75%

*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.

*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, 2018, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2017	\$ 61,926,344	48,028,885	13,897,459
Changes for the year:			
Service cost	708,830	-	708,830
Interest	4,603,003	-	4,603,003
Differences between expected and actual experience	182,694	-	182,694
Assumption changes	-	-	-
Contributions-buy back	-	-	-
Contributions-employer	-	1,399,309	(1,399,309)
Contributions-state	-	509,868	(509,868)
Contributions-employee	-	141,266	(141,266)
Net investment income	-	6,505,843	(6,505,843)
Benefit payments, including refunds of employee contributions	(2,523,758)	(2,523,758)	-
Administrative expense	-	(95,118)	95,118
Net changes	2,970,769	5,937,410	(2,966,641)
Balances at September 30, 2018	\$ 64,897,113	53,966,295	10,930,818

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

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

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, 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 <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
City's net pension liability - September 30, 2017	\$ 19,526,807	10,930,818	3,955,080

In addition, in accordance with GASB 67, the following presents the net pension liability of the Plan, calculated using the discount rate of 7.40%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40%) or 1-percentage-point higher (8.40%) than the current rate:

	1% Decrease <u>6.40%</u>	Current Discount Rate <u>7.40%</u>	1% Increase <u>8.40%</u>
City's net pension liability - September 30, 2018	\$ 17,613,942	8,631,087	1,413,327

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, 2017.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

The assumptions used in the October 1, 2017, actuarial valuation are as follows.

Actuarial Assumptions

Funding Method	Entry Age Actuarial Cost Method.
Amortization Method	Level Percentage of Pay, closed
Remaining Amortization Period	30 years
Actuarial Asset Valuation Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation	2.30%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.0% to 6.0% based on service

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

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

The “share plan” supplemental retirement benefit, effective October 1, 2009, created an individual share account for each active firefighter as of that date. This supplemental benefit is funded solely by the premium tax revenues received by the City. The initial amount allocated to the active members’ share accounts was \$663,717. For all years beginning on and after October 1, 2009, all premium tax revenues received by the City in excess of \$1,668,662 are allocated to the members’ individual share accounts. Effective January 1, 2011, and each January following, the individual share accounts for each active firefighter is credited or debited with earnings or losses at a rate equal to the Plan’s actual net rate of investment return for the preceding Plan year. A firefighter must attain 5 complete years of credited service to be entitled to receive a distribution of their accumulated account. At September 30, 2018, there was \$927,073 in the share plan.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

	<b>General Employees Pension Plan</b>	<b>Police Officers' Pension Plan</b>	<b>Firefighters' Pension Plan</b>	<b>Totals</b>
Net Pension Liability	\$ 12,470,152	16,789,820	10,930,818	40,190,790
Deferred Outflows	3,453,775	3,143,328	3,190,473	9,787,576
Deferred Inflows	2,029,209	1,025,469	1,209,453	4,264,131
Pension Expense	1,216,599	1,825,393	1,563,975	4,605,967

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, 2018:

	<b>General Pension Fund</b>	<b>Police Officers' Pension Fund</b>	<b>Firefighters' Pension Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,148,276	1,054,596	1,062,709
Contributions receivable	93,226	783,443	761,960
Investments, at fair value	58,863,748	52,276,184	57,607,787
Total assets	<u>60,105,250</u>	<u>54,114,223</u>	<u>59,432,456</u>
<b>Liabilities</b>			
Accounts payable	163,589	114,898	26,076
Total liabilities	<u>163,589</u>	<u>114,898</u>	<u>26,076</u>
<b>Net position</b>			
Restricted for pension benefits	<u>\$ 59,941,661</u>	<u>53,999,325</u>	<u>59,406,380</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

	<u>General Pension Fund</u>	<u>Police Officers' Pension Fund</u>	<u>Firefighters' Pension Fund</u>
Additions			
Contributions			
Employee contributions	\$ 667,203	204,461	146,837
Employer contributions	1,943,363	2,053,662	1,593,953
Direct state contributions	-	718,404	539,925
Total contributions	<u>2,610,566</u>	<u>2,976,527</u>	<u>2,280,715</u>
Investment earnings			
Interest and dividend income	1,428,993	1,246,121	1,335,754
Net change in fair value of investments	4,767,676	4,183,480	4,664,541
Less investment expense	<u>(331,426)</u>	<u>(284,630)</u>	<u>(308,294)</u>
Net investment earnings	<u>5,865,243</u>	<u>5,144,971</u>	<u>5,692,001</u>
Total additions	<u>8,475,809</u>	<u>8,121,498</u>	<u>7,972,716</u>
Deductions			
Benefits paid	4,132,046	3,645,490	2,410,127
Refunds of contributions	472,035	57,507	26,868
General administration	169,463	105,596	95,636
Total deductions	<u>4,773,544</u>	<u>3,808,593</u>	<u>2,532,631</u>
Changes in net position	<u>3,702,265</u>	<u>4,312,905</u>	<u>5,440,085</u>
Net position, beginning of year	<u>56,239,396</u>	<u>49,686,420</u>	<u>53,966,295</u>
Net position, end of year	<u>\$ 59,941,661</u>	<u>53,999,325</u>	<u>59,406,380</u>

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

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

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

**Employer Contributions**

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

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

As of September 30, 2018, there were 199 active Plan members. Covered payroll for the year ended September 30, 2018, was \$11,544,806. City contributions for the year were \$231,395, and employee contributions were \$449,583, 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 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, 2018, there were seven active Plan members and three retired and terminated members who have maintained account balances. Covered payroll for the year ended September 30, 2018, was \$1,003,072. City contributions for the year were \$55,129, and employee contributions were \$77,264.

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

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



**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position for the City’s defined contribution pension plans are as follows, as of and for the year ended September 30, 2018:

**Statements of Fiduciary Net Position**

	<b>Supplemental General Pension</b>	<b>Managers’ 401 Pension</b>
	<u>                    </u>	<u>                    </u>
Assets		
Contributions receivable	\$ 22,757	5,101
Investments, at fair value	9,403,695	1,862,489
Total assets	<u>9,426,452</u>	<u>1,867,590</u>
Net position		
Restricted for pension benefits	<u>\$ 9,426,452</u>	<u>1,867,590</u>

**Statements of Changes in Fiduciary Net Position**

	<b>Supplemental General Pension</b>	<b>Managers’ 401 Pension</b>
	<u>                    </u>	<u>                    </u>
Additions		
Contributions		
Employee contributions	\$ 449,583	77,264
Employer contributions	231,395	55,129
Total contributions	<u>680,978</u>	<u>132,393</u>
Investment earnings		
Interest and dividend income	14,378	1,377
Net change in fair value of investments	598,899	91,145
Less investment expense	<u>(19,732)</u>	<u>(3,887)</u>
Net investment earnings	593,545	88,635
Total additions	<u>1,274,523</u>	<u>221,028</u>
Deductions		
Refunds of contributions	<u>823,109</u>	<u>94,959</u>
Total deductions	<u>823,109</u>	<u>94,959</u>
Changes in net position	451,414	126,069
Net position, beginning of year	<u>8,975,038</u>	<u>1,741,521</u>
Net position, end of year	<u>\$ 9,426,452</u>	<u>1,867,590</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

**K. Other Post-Employment Benefits**

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

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.

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

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

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

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

Discount rate	3.50%
Healthcare cost trend rate	Trend rates for 2018 of 4.6% per capita costs and 5.0% for premiums (based on actual premium rates effective October 1, 2018), and thereafter trend based on the Getzen Model, with a trend rate of 6.75% for 2019, and gradually decreasing to an ultimate trend rate of 4.24% plus 0.39% increase for excise tax.
Inflation rate	2.50%
Salary increase	Rates based on those used in the October 1, 2017 actuarial valuations of the City's three pension plans
Participation rate	Medical Acceptance Rate: 25% Coverage Lapsing Rate: 100%

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

**Discount Rate.** Under GASB Statement No. 75, when there are currently no invested plan assets held in trust to finance the OPEB obligations, the discount rate equals the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. The rate used in the September 30, 2017, valuation was 3.50%

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**Changes in the Total OPEB Liability of the City.** The changes in the total OPEB liability of the City for the year ended September 30, 2018, were as follows:

	Total OPEB Liability
Balances at September 30, 2017	\$ 4,111,967
Changes for the year:	
Service cost	353,063
Interest on the total OPEB liability	137,586
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	-
Changes in assumptions and other inputs	(140,703)
Benefit payments	(53,548)
Net changes	296,398
Balances at September 30, 2018	\$ 4,408,365

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

**Sensitivity of the Total OPEB Liability to changes in the discount rate.** The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	\$ 4,771,066	\$ 4,408,365	\$ 4,080,839

**Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rate.** The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB liability	\$ 400,257	\$ 4,408,365	\$ 4,882,952

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2017, and the current sharing pattern of costs between employer and inactive employees.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB.** For the year ended September 30, 2018, the City recognized OPEB expense of \$470,831. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	-
Changes in assumptions and other inputs	-	120,885
Benefits paid subsequent to the measurement date	254,400	-
Total	<b>\$ 254,400</b>	<b>120,885</b>

The deferred outflows of resources related to the total OPEB liability, totaling \$254,400 resulting from benefits paid subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the fiscal year ended September 30, 2019. Other amounts reported as inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30,	
2019	\$ 19,817
2020	19,817
2021	19,817
2022	19,817
2023	19,817
Thereafter	21,800
Total	<b>\$ 120,885</b>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements  
September 30, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

**L. Contingencies**

**1. Litigation**

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

**2. Federal and State Assistance Programs**

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

**3. Self-insurance Funds**

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

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

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

The liability for unpaid claims is estimated based upon historical actual results adjusted for current economic trends. The estimated claims liability for all self-insured risks are reported as claims payable in the Risk Management Fund and Health Benefits Fund which include an estimate for incurred but not reported claims. In addition, reimbursements from excess loss reinsurers are netted against claims expenses, as applicable, in the Risk Management and Health Benefits Internal Service funds. During the current year, \$177,370 and \$733,042 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, 2018. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2018, \$3,377,470 was accrued for estimated self-insurance claims. For the past three fiscal years, the City's insurance settlements have not exceeded the insurance coverage and there were no significant reductions in insurance coverage from the previous year.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A reconciliation of estimated claims liabilities is as follows:

	<b>Risk Management</b>	<b>Health Benefits</b>	<b>Total</b>
Balance September 30, 2016	\$ 3,405,000	385,329	3,790,329
Current year claims incurred and change in estimates	1,445,155	4,466,108	5,911,263
Claim payments	<u>(1,477,155)</u>	<u>(4,523,204)</u>	<u>(6,000,359)</u>
Balance September 30, 2017	3,373,000	328,233	3,701,233
Current year claims incurred and change in estimates	1,636,060	6,373,573	8,009,633
Claim payments	<u>(2,078,060)</u>	<u>(6,255,336)</u>	<u>(8,333,396)</u>
Balance September 30, 2018	<u>\$ 2,931,000</u>	<u>446,470</u>	<u>3,377,470</u>

**4. Construction Projects**

At September 30, 2018, the City had the following commitments:

<b>Project</b>	<b>Contract Amount</b>	<b>Completed to Date</b>	<b>Balance</b>
Baker Park Construction	\$ 14,720,111	2,267,745	12,452,366
Baker Park Engineering	1,685,467	1,437,561	247,906
Baker Park Playground Equipment	412,672	-	412,672
Fire Station #1 Construction	7,559,380	4,800,477	2,758,903
Fire Station #1 Design Services	1,456,701	1,330,123	126,578
Water Main Construction/Reconstruction	1,529,810	375,225	1,154,585
Water Plant Accelerators	1,648,691	19,900	1,628,791

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements  
September 30, 2018

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

***M. Change in Accounting Principle***

The City determined that restatements to beginning net position of the governmental activities, business-type activities, each major enterprise fund, the non-major enterprise funds, and internal service funds were required to recognize the change in accounting principle for implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, as of October 1, 2017. These restatements are as follows:

	Governmental Activities	Business-type Activities	Major Enterprise Funds	
			Water and Sewer	Solid Waste
Net position, as previously reported	\$ 77,552,844	\$ 158,372,608	\$ 116,552,515	\$ 6,053,724
Adjustment to remove the net OPEB obligation in accordance with GASB Statement No. 45	2,655,897	1,208,494	819,601	200,153
Adjustment needed to record the total OPEB liability in accordance with GASB Statement No. 75	(2,837,257)	(1,274,710)	(863,513)	(205,598)
Adjustment needed to record OPEB deferred outflows of resources for benefits paid subsequent to the measurement date in accordance with GASB Statement No.75	36,947	16,600	11,244	2,676
Net position, as restated	<u>\$ 77,408,431</u>	<u>\$ 158,322,992</u>	<u>\$ 116,519,847</u>	<u>\$ 6,050,955</u>
	Major Enterprise Funds		Nonmajor Enterprise Funds	Internal Service Funds
	Stormwater	City Dock		
Net position, as previously reported	\$ 27,243,430	\$ 1,103,796	\$ 6,561,694	\$ 7,557,724
Adjustment to remove the net OPEB obligation in accordance with GASB Statement No. 45	78,252	12,626	97,862	146,252
Adjustment needed to record the total OPEB liability in accordance with GASB Statement No. 75	(82,239)	(20,561)	(102,799)	(164,479)
Adjustment needed to record OPEB deferred outflows of resources for benefits paid subsequent to the measurement date in accordance with GASB Statement No.75	1,071	270	1,339	2,142
Net position, as restated	<u>\$ 27,240,514</u>	<u>\$ 1,096,131</u>	<u>\$ 6,558,096</u>	<u>\$ 7,541,639</u>

***N. 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.



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**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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Ad valorem	\$ 22,896,400	22,896,400	23,233,077	336,677
Local communication and business	534,800	534,800	772,090	237,290
Insurance premium tax	1,354,409	1,354,409	1,258,329	(96,080)
Permits, fees and assessments	3,514,760	3,514,760	3,635,171	120,411
Intergovernmental	4,227,500	4,247,500	4,555,393	307,893
Charges for services	1,836,400	1,984,400	2,144,354	159,954
Charges to other funds	3,455,190	3,455,190	3,455,190	-
Fines and forfeitures	186,900	186,900	321,701	134,801
Interest	244,560	244,560	181,869	(62,691)
Miscellaneous	15,000	15,000	57,334	42,334
Total revenues	<u>38,265,919</u>	<u>38,433,919</u>	<u>39,614,508</u>	<u>1,180,589</u>
Expenditures				
Current				
General government				
Mayor and City Council	382,228	382,228	443,185	(60,957)
City Attorney	610,461	830,461	733,725	96,736
City Clerk	629,906	629,906	630,996	(1,090)
City Manager	824,239	820,539	775,775	44,764
Human resources	571,431	571,431	545,923	25,508
Planning	648,441	648,441	605,916	42,525
Finance	1,116,634	1,119,903	1,119,337	566
Nondepartmental	4,934,172	7,813,366	6,602,905	1,210,461
Total general government	<u>9,717,512</u>	<u>12,816,275</u>	<u>11,457,762</u>	<u>1,358,513</u>
Public safety				
Fire	9,818,028	9,991,745	10,162,311	(170,566)
Police	12,445,539	12,446,335	12,586,004	(139,669)
Code inspections	446,711	446,711	447,674	(963)
Total public safety	<u>22,710,278</u>	<u>22,884,791</u>	<u>23,195,989</u>	<u>(311,198)</u>
Culture and recreation				
Community services	7,256,752	7,339,823	6,532,688	807,135
Total culture and recreation	<u>7,256,752</u>	<u>7,339,823</u>	<u>6,532,688</u>	<u>807,135</u>

**CITY OF NAPLES, FLORIDA**  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual  
 Year Ended September 30, 2018

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Capital outlay				
General government	\$ -	106,767	102,896	3,871
Public safety	14,000	14,000	11,325	2,675
Culture and recreation	-	88,213	14,176	74,037
Total capital outlay	<u>14,000</u>	<u>208,980</u>	<u>128,397</u>	<u>80,583</u>
 Total expenditures	 <u>39,698,542</u>	 <u>43,249,869</u>	 <u>41,314,836</u>	 <u>1,935,033</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(1,432,623)</u>	 <u>(4,815,950)</u>	 <u>(1,700,328)</u>	 <u>3,115,622</u>
Other financing sources (uses)				
Transfers in	2,067,600	2,067,600	2,067,600	-
Transfers out	(47,500)	(47,500)	(47,500)	-
Proceeds from sale of capital assets	1,000	1,000	3,499	2,499
Total other financing sources (uses)	<u>2,021,100</u>	<u>2,021,100</u>	<u>2,023,599</u>	<u>2,499</u>
 Change in fund balance	 588,477	 (2,794,850)	 323,271	 3,118,121
 Fund balance, beginning of year	 <u>12,266,809</u>	 <u>12,266,809</u>	 <u>12,266,809</u>	 <u>-</u>
Fund balance, end of year	<u>\$ 12,855,286</u>	<u>9,471,959</u>	<u>12,590,080</u>	<u>3,118,121</u>

**CITY OF NAPLES, FLORIDA**  
Community Redevelopment Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Ad valorem	\$ 875,736	875,736	875,736	-
Intergovernmental	2,714,401	2,714,401	2,714,401	-
Interest	32,000	32,000	25,225	(6,775)
Total revenues	<u>3,622,137</u>	<u>3,622,137</u>	<u>3,615,362</u>	<u>(6,775)</u>
Expenditures				
Current				
Economic development	1,174,811	1,131,268	959,259	172,009
Capital outlay				
Economic development	4,500	680,279	622,590	57,689
Total expenditures	<u>1,179,311</u>	<u>1,811,547</u>	<u>1,581,849</u>	<u>229,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,442,826</u>	<u>1,810,590</u>	<u>2,033,513</u>	<u>222,923</u>
Other financing uses				
Transfers out	(991,411)	(991,411)	(991,411)	-
Total other financing uses	<u>(991,411)</u>	<u>(991,411)</u>	<u>(991,411)</u>	<u>-</u>
Change in fund balance	1,451,415	819,179	1,042,102	222,923
Fund balance, beginning of year	1,169,752	1,169,752	1,169,752	-
Fund balance, end of year	<u>\$ 2,621,167</u>	<u>1,988,931</u>	<u>2,211,854</u>	<u>222,923</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Motor fuel taxes	\$ 2,123,000	2,123,000	2,199,149	76,149
Permits, fees and assessments	275,000	275,000	283,062	8,062
Intergovernmental	518,896	518,896	470,108	(48,788)
Interest	34,000	34,000	28,490	(5,510)
Miscellaneous	-	-	5,800	5,800
Total revenues	<u>2,950,896</u>	<u>2,950,896</u>	<u>2,986,609</u>	<u>35,713</u>
Expenditures				
Current				
Transportation	2,689,687	3,210,311	2,888,756	321,555
Capital outlay				
Transportation	527,000	739,300	394,380	344,920
Total expenditures	<u>3,216,687</u>	<u>3,949,611</u>	<u>3,283,136</u>	<u>666,475</u>
Net change in fund balances	(265,791)	(998,715)	(296,527)	702,188
Fund balance, beginning of year	2,886,839	2,886,839	2,886,839	-
Fund balance, end of year	<u>\$ 2,621,048</u>	<u>1,888,124</u>	<u>2,590,312</u>	<u>702,188</u>

**CITY OF NAPLES, FLORIDA**  
 Baker Park Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Interest	\$ -	-	158,019	158,019
Donations	2,829,500	3,826,083	1,953,000	(1,873,083)
Total revenues	<u>2,829,500</u>	<u>3,826,083</u>	<u>2,111,019</u>	<u>(1,715,064)</u>
Expenditures				
Capital outlay				
Physical and economic environment	14,446,984	18,064,145	4,502,816	13,561,329
Total expenditures	<u>14,446,984</u>	<u>18,064,145</u>	<u>4,502,816</u>	<u>13,561,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,617,484)</u>	<u>(14,238,062)</u>	<u>(2,391,797)</u>	<u>11,846,265</u>
Other financing sources				
Transfers in	200,000	200,000	200,000	-
Total other financing sources	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balances	(11,417,484)	(14,038,062)	(2,191,797)	11,846,265
Fund balance, beginning of year	14,189,043	14,189,043	14,189,043	-
Fund balance, end of year	<u>\$ 2,771,559</u>	<u>150,981</u>	<u>11,997,246</u>	<u>11,846,265</u>



**THE CITY OF NAPLES, FLORIDA**

Notes to Required Supplementary Information  
September 30, 2018

**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, 2018  
(Unaudited)

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

Reporting Period Ending Measurement Date	<u>9/30/19</u>	<u>9/30/18</u>	<u>9/30/17</u>	<u>9/30/16</u>	<u>9/30/15</u>
	<u>9/30/18</u>	<u>9/30/17</u>	<u>9/30/16</u>	<u>9/30/15</u>	<u>9/30/14</u>
<b>Total pension liability</b>					
Service cost	\$ 1,505,743	1,550,588	1,515,025	1,500,184	1,471,441
Interest on total pension liability	5,093,386	4,929,787	4,718,425	4,553,080	4,418,330
Differences between expected and actual experience	(1,752,760)	172,717	(1,619,494)	504,129	-
Changes of assumptions	(1,062,814)	-	2,509,683	-	-
Benefit payments, including refunds of employee contributions	(4,604,081)	(4,246,896)	(4,407,869)	(4,354,731)	(3,888,957)
<b>Net change in total pension liability</b>	<u>(820,526)</u>	<u>2,406,196</u>	<u>2,715,770</u>	<u>2,202,662</u>	<u>2,000,814</u>
<b>Total pension liability - beginning</b>	<u>68,709,548</u>	<u>66,303,352</u>	<u>63,587,582</u>	<u>61,384,920</u>	<u>59,384,106</u>
<b>Total pension liability - ending (a)</b>	<u>\$67,889,022</u>	<u>68,709,548</u>	<u>66,303,352</u>	<u>63,587,582</u>	<u>61,384,920</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 1,943,363	1,785,446	1,970,406	2,023,395	1,945,282
Contributions - employee	667,203	670,402	711,740	694,975	715,072
Net investment income	5,865,243	7,212,061	2,994,961	414,031	5,857,072
Benefit payments, including refunds of member contributions	(4,604,081)	(4,246,896)	(4,407,869)	(4,354,731)	(3,887,856)
Administrative expenses	(169,463)	(168,640)	(160,414)	(150,741)	(142,904)
<b>Net change in plan fiduciary net position</b>	<u>3,702,265</u>	<u>5,252,373</u>	<u>1,108,824</u>	<u>(1,373,071)</u>	<u>4,486,666</u>
<b>Plan fiduciary net position - beginning</b>	<u>56,239,396</u>	<u>50,987,023</u>	<u>49,878,199</u>	<u>51,251,270</u>	<u>46,764,604</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$59,941,661</u>	<u>56,239,396</u>	<u>50,987,023</u>	<u>49,878,199</u>	<u>51,251,270</u>
<b>City's net pension liability - ending (a) - (b)</b>	<u>\$ 7,947,361</u>	<u>12,470,152</u>	<u>15,316,329</u>	<u>13,709,383</u>	<u>10,133,650</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	88.29%	81.85%	76.90%	78.44%	83.49%
<b>Covered payroll</b>	\$16,413,536	16,012,972	16,535,449	18,135,744	15,618,366
<b>City's net pension liability as a percentage of covered payroll</b>	48.42%	77.88%	92.63%	75.59%	64.88%

**Notes to the Schedule:**

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



**THE CITY OF NAPLES, FLORIDA**

Required Supplementary Information  
September 30, 2018  
(Unaudited)

**Schedules of Pension Investment Returns**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Employees:					
Annual money-weighted rate of return, net of investment expenses	10.34%	12.00%	7.93%	0.79%	12.72%
Police:					
Annual money-weighted rate of return, net of investment expenses	10.21%	11.98%	7.89%	0.79%	12.60%
Fire:					
Annual money-weighted rate of return, net of investment expenses	10.43%	12.02%	8.01%	0.77%	12.67%

**Notes to the Schedules:**

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

# THE CITY OF NAPLES, FLORIDA

## Required Supplementary Information September 30, 2018 (Unaudited)

### Schedule of Changes in Net Pension Liability and Related Ratios

#### Police Officers' Pension

Reporting Period Ending Measurement Date	9/30/19 9/30/18	9/30/18 9/30/17	9/30/17 9/30/16	9/30/16 9/30/15	9/30/15 9/30/14
<b>Total pension liability</b>					
Service cost	\$ 805,135	797,597	943,492	1,007,847	944,053
Interest on total pension liability	4,907,047	4,773,491	4,579,541	4,448,873	4,254,147
Differences between expected and actual experience	(69,061)	148,418	163,041	(860,949)	-
Changes of assumptions	535,504	-	653,912	-	-
Benefit payments, including refunds of employee contributions	(3,702,997)	(4,249,528)	(2,889,380)	(2,701,145)	(2,630,150)
<b>Net change in total pension liability</b>	<u>2,475,628</u>	<u>1,469,978</u>	<u>3,450,606</u>	<u>1,894,626</u>	<u>2,568,050</u>
<b>Total pension liability - beginning</b>	<u>66,476,240</u>	<u>65,006,262</u>	<u>61,555,656</u>	<u>59,661,030</u>	<u>57,092,980</u>
<b>Total pension liability - ending (a)</b>	<u>\$68,951,868</u>	<u>66,476,240</u>	<u>65,006,262</u>	<u>61,555,656</u>	<u>59,661,030</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 2,053,662	1,803,678	1,985,703	1,737,998	1,672,462
Contributions - state	718,404	792,677	610,146	551,656	540,981
Contributions - employee	204,461	232,664	210,895	211,290	229,089
Net investment income	5,144,971	6,154,401	2,724,152	331,447	4,804,886
Benefit payments, including refunds of member contributions	(3,702,997)	(4,249,835)	(2,889,380)	(2,701,145)	(2,622,981)
Administrative expenses	(105,596)	(104,158)	(98,445)	(97,327)	(75,114)
<b>Net change in plan fiduciary net position</b>	<u>4,312,905</u>	<u>4,629,427</u>	<u>2,543,071</u>	<u>33,919</u>	<u>4,549,323</u>
<b>Plan fiduciary net position - beginning</b>	<u>49,686,420</u>	<u>45,056,993</u>	<u>42,513,922</u>	<u>42,480,003</u>	<u>37,930,680</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$53,999,325</u>	<u>49,686,420</u>	<u>45,056,993</u>	<u>42,513,922</u>	<u>42,480,003</u>
<b>City's net pension liability - ending (a) - (b)</b>	<u>\$14,952,543</u>	<u>16,789,820</u>	<u>19,949,269</u>	<u>19,041,734</u>	<u>17,181,027</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	78.31%	74.74%	69.31%	69.07%	71.20%
<b>Covered payroll</b>	\$ 4,533,223	4,429,884	4,597,424	5,164,848	4,786,859
<b>City's net pension liability as a percentage of covered payroll</b>	329.84%	379.01%	433.92%	368.68%	358.92%

**Notes to the Schedule:**

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



**THE CITY OF NAPLES, FLORIDA**

Required Supplementary Information  
September 30, 2018  
(Unaudited)

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

Reporting Period Ending Measurement Date	<u>9/30/19</u> <u>9/30/18</u>	<u>9/30/18</u> <u>9/30/17</u>	<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>
<b>Total pension liability</b>					
Service cost	\$ 725,072	708,830	874,002	842,047	981,492
Interest on total pension liability	4,830,246	4,603,003	4,299,587	4,102,672	3,896,369
Differences between expected and actual experience	(549,657)	182,694	116,520	(247,033)	-
Changes of assumptions	571,688	-	1,240,006	-	-
Contributions - buy back	-	-	15,021	-	-
Benefit payments, including refunds of employee contributions	(2,436,995)	(2,523,758)	(2,144,757)	(2,063,933)	(1,911,491)
<b>Net change in total pension liability</b>	<u>3,140,354</u>	<u>2,970,769</u>	<u>4,400,379</u>	<u>2,633,753</u>	<u>2,966,370</u>
<b>Total pension liability - beginning</b>	<u>64,897,113</u>	<u>61,926,344</u>	<u>57,525,965</u>	<u>54,892,212</u>	<u>51,925,842</u>
<b>Total pension liability - ending (a)</b>	<u>\$68,037,467</u>	<u>64,897,113</u>	<u>61,926,344</u>	<u>57,525,965</u>	<u>54,892,212</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 1,593,953	1,399,309	1,573,305	1,180,670	1,342,378
Contributions - state	539,925	509,868	581,196	721,101	871,999
Contributions - employee	146,837	141,266	171,558	153,807	177,737
Net investment income	5,692,001	6,505,843	2,941,905	336,431	4,996,523
Benefit payments, including refunds of member contributions	(2,436,995)	(2,523,758)	(2,144,757)	(2,063,933)	(1,911,492)
Administrative expenses	(95,636)	(95,118)	(80,473)	(57,827)	(65,535)
<b>Net change in plan fiduciary net position</b>	<u>5,440,085</u>	<u>5,937,410</u>	<u>3,042,734</u>	<u>270,249</u>	<u>5,411,610</u>
<b>Plan fiduciary net position - beginning</b>	<u>53,966,295</u>	<u>48,028,885</u>	<u>44,986,151</u>	<u>44,715,902</u>	<u>39,304,292</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$59,406,380</u>	<u>53,966,295</u>	<u>48,028,885</u>	<u>44,986,151</u>	<u>44,715,902</u>
<b>City's net pension liability - ending (a) - (b)</b>	<u>\$ 8,631,087</u>	<u>10,930,818</u>	<u>13,897,459</u>	<u>12,539,814</u>	<u>10,176,310</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	87.31%	83.16%	77.56%	78.20%	81.46%
<b>Covered payroll</b>	\$ 3,181,377	2,997,608	3,237,715	4,341,784	3,573,306
<b>City's net pension liability as a percentage of covered payroll</b>	271.30%	364.65%	429.24%	288.82%	284.79%

**Notes to the Schedule:**

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





**THE CITY OF NAPLES, FLORIDA**

Required Supplementary Information  
September 30, 2018  
(Unaudited)

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

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	<u>2017</u>
Measurement year ended September 30,	
<b>Total OPEB liability</b>	
Service cost	\$ 353,063
Interest on the total opeb liability	137,586
Changes in assumptions and other inputs	(140,703)
Benefit payments	<u>(53,548)</u>
<b>Net change in total OPEB liability</b>	296,398
<b>Total OPEB liability - beginning</b>	<u>4,111,967</u>
<b>Total OPEB liability - ending</b>	<u>\$ 4,408,365</u>
<b>Covered-employee payroll</b>	\$ 24,884,851
<b>City's total OPEB liability as a percentage of covered-employee payroll</b>	17.72%

**Notes to the Schedule**

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

**OTHER SUPPLEMENTARY  
INFORMATION**

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## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

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

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

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

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

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

**Grants Fund**—To account for various grant activity.

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

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

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

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

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

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

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

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**CITY OF NAPLES, FLORIDA**

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2018

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Assets			
Cash and investments	\$ 9,747,033	598,929	10,345,962
Accounts receivable	99,390	-	99,390
Accrued interest	28,470	2,171	30,641
Due from other governments	15,420	-	15,420
Total assets	<u>\$ 9,890,313</u>	<u>601,100</u>	<u>10,491,413</u>
Liabilities			
Accounts payable	\$ 358,007	-	358,007
Accrued payroll	106,372	-	106,372
Customer deposits	171,976	-	171,976
Total liabilities	<u>636,355</u>	<u>-</u>	<u>636,355</u>
Deferred inflows of resources			
Unavailable revenue	<u>98,140</u>	<u>-</u>	<u>98,140</u>
Fund balances			
Restricted	6,920,925	591,890	7,512,815
Committed	2,141,109	9,210	2,150,319
Assigned	93,784	-	93,784
Total fund balances	<u>9,155,818</u>	<u>601,100</u>	<u>9,756,918</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,890,313</u>	<u>601,100</u>	<u>10,491,413</u>

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**CITY OF NAPLES, FLORIDA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2018

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total</b>
Revenues			
Taxes—property	\$ 322,948	-	322,948
Permits, fees and assessments	5,379,110	307,384	5,686,494
Intergovernmental	154,200	-	154,200
Charges for services	820,968	-	820,968
Fines and forfeitures	42,933	-	42,933
Interest	80,647	11,537	92,184
Donations	119,900	-	119,900
Miscellaneous	43,442	-	43,442
Total revenues	<u>6,964,148</u>	<u>318,921</u>	<u>7,283,069</u>
Expenditures			
Current			
General government	20,909	-	20,909
Public safety	4,077,490	-	4,077,490
Economic and physical development	528,404	-	528,404
Culture and recreation	8,818	-	8,818
Capital outlay			
Public safety	655,605	-	655,605
Economic and physical development	119,820	-	119,820
Total expenditures	<u>5,411,046</u>	<u>-</u>	<u>5,411,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,553,102</u>	<u>318,921</u>	<u>1,872,023</u>
Other financing uses			
Transfers out	<u>(72,228)</u>	<u>(400,000)</u>	<u>(472,228)</u>
Total other financing uses	<u>(72,228)</u>	<u>(400,000)</u>	<u>(472,228)</u>
Change in fund balances	1,480,874	(81,079)	1,399,795
Fund balances, beginning of year	<u>7,674,944</u>	<u>682,179</u>	<u>8,357,123</u>
Fund balances, end of year	<u>\$ 9,155,818</u>	<u>601,100</u>	<u>9,756,918</u>



**CITY OF NAPLES, FLORIDA**  
Combining Balance Sheet  
Nonmajor Governmental Special Revenue Funds  
September 30, 2018

	<b>Building and Zoning Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Improvement Fund</b>	<b>Public Arts Fund</b>	<b>Grants Fund</b>
<b>Assets</b>					
Cash and investments	\$ 4,542,380	78,364	391,962	727,620	8,160
Accounts receivable	-	-	1,250	-	-
Accrued interest	18,234	-	-	-	-
Due from other governments	-	15,420	-	-	-
<b>Total assets</b>	<b>\$ 4,560,614</b>	<b>93,784</b>	<b>393,212</b>	<b>727,620</b>	<b>8,160</b>
<b>Liabilities</b>					
Accounts payable	\$ 351,010	-	6,997	-	-
Accrued payroll	106,372	-	-	-	-
Customer deposits	-	-	-	171,976	-
<b>Total liabilities</b>	<b>457,382</b>	<b>-</b>	<b>6,997</b>	<b>171,976</b>	<b>-</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue	-	-	-	-	-
<b>Fund balances</b>					
Restricted	4,103,232	-	386,215	-	8,160
Committed	-	-	-	555,644	-
Assigned	-	93,784	-	-	-
<b>Total fund balances</b>	<b>4,103,232</b>	<b>93,784</b>	<b>386,215</b>	<b>555,644</b>	<b>8,160</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,560,614</b>	<b>93,784</b>	<b>393,212</b>	<b>727,620</b>	<b>8,160</b>

<b>Confiscated Properties Fund</b>	<b>Business Improvement District Fund</b>	<b>41-10 Public Open Space Fund</b>	<b>Parking Trust Fund</b>	<b>Port Royal Dredging District Fund</b>	<b>East Naples Bay District Fund</b>	<b>Moorings Bay District Fund</b>	<b>Total Nonmajor Special Revenue</b>
416,597	5,048	164,578	1,413,051	166,163	629,113	1,203,997	9,747,033
-	-	-	-	98,140	-	-	99,390
1,388	-	1,132	1,656	-	1,657	4,403	28,470
-	-	-	-	-	-	-	15,420
<u>417,985</u>	<u>5,048</u>	<u>165,710</u>	<u>1,414,707</u>	<u>264,303</u>	<u>630,770</u>	<u>1,208,400</u>	<u>9,890,313</u>
-	-	-	-	-	-	-	358,007
-	-	-	-	-	-	-	106,372
-	-	-	-	-	-	-	171,976
-	-	-	-	-	-	-	<u>636,355</u>
-	-	-	-	98,140	-	-	<u>98,140</u>
417,985	-	-	-	166,163	630,770	1,208,400	6,920,925
-	5,048	165,710	1,414,707	-	-	-	2,141,109
-	-	-	-	-	-	-	93,784
<u>417,985</u>	<u>5,048</u>	<u>165,710</u>	<u>1,414,707</u>	<u>166,163</u>	<u>630,770</u>	<u>1,208,400</u>	<u>9,155,818</u>
<u>417,985</u>	<u>5,048</u>	<u>165,710</u>	<u>1,414,707</u>	<u>264,303</u>	<u>630,770</u>	<u>1,208,400</u>	<u>9,890,313</u>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Special Revenue Funds  
Year Ended September 30, 2018

	<b>Building and Zoning Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Improvement Fund</b>	<b>Public Arts Fund</b>	<b>Grants Fund</b>
<b>Revenues</b>					
Taxes—property	\$ -	-	-	-	-
Permits, fees and assessments	4,805,726	-	-	-	-
Intergovernmental	-	154,200	-	-	-
Charges for services	43	10,000	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	33,804	-	-	-	-
Donations	-	-	119,900	-	-
Miscellaneous	-	-	-	43,442	-
Total revenues	<u>4,839,573</u>	<u>164,200</u>	<u>119,900</u>	<u>43,442</u>	<u>-</u>
<b>Expenditures</b>					
Current					
General government	-	-	19,509	1,400	-
Public safety	4,051,271	-	2,306	-	-
Economic and physical development	-	-	-	-	-
Culture and recreation	-	-	8,818	-	-
Capital outlay					
Public safety	557,019	-	-	-	-
Economic and physical development	-	119,820	-	-	-
Total expenditures	<u>4,608,290</u>	<u>119,820</u>	<u>30,633</u>	<u>1,400</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>231,283</u>	<u>44,380</u>	<u>89,267</u>	<u>42,042</u>	<u>-</u>
<b>Other financing uses</b>					
Transfers out	-	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	231,283	44,380	89,267	42,042	-
Fund balances, beginning of year	3,871,949	49,404	296,948	513,602	8,160
Fund balances, end of year	<u>\$ 4,103,232</u>	<u>93,784</u>	<u>386,215</u>	<u>555,644</u>	<u>8,160</u>

<b>Confiscated Properties Fund</b>	<b>Business Improvement District Fund</b>	<b>41-10 Public Open Space Fund</b>	<b>Parking Trust Fund</b>	<b>Port Royal Dredging District Fund</b>	<b>East Naples Bay District Fund</b>	<b>Moorings Bay District Fund</b>	<b>Total Nonmajor Special Revenue</b>
-	-	-	-	-	298,841	24,107	322,948
-	509,650	-	-	63,734	-	-	5,379,110
-	-	-	-	-	-	-	154,200
-	-	-	810,925	-	-	-	820,968
42,933	-	-	-	-	-	-	42,933
8,235	-	2,752	20,499	-	4,580	10,777	80,647
-	-	-	-	-	-	-	119,900
-	-	-	-	-	-	-	43,442
<u>51,168</u>	<u>509,650</u>	<u>2,752</u>	<u>831,424</u>	<u>63,734</u>	<u>303,421</u>	<u>34,884</u>	<u>6,964,148</u>
-	-	-	-	-	-	-	20,909
23,913	-	-	-	-	-	-	4,077,490
-	509,650	-	-	3,672	233	14,849	528,404
-	-	-	-	-	-	-	8,818
98,586	-	-	-	-	-	-	655,605
-	-	-	-	-	-	-	119,820
<u>122,499</u>	<u>509,650</u>	<u>-</u>	<u>-</u>	<u>3,672</u>	<u>233</u>	<u>14,849</u>	<u>5,411,046</u>
<u>(71,331)</u>	<u>-</u>	<u>2,752</u>	<u>831,424</u>	<u>60,062</u>	<u>303,188</u>	<u>20,035</u>	<u>1,553,102</u>
-	-	-	-	(72,228)	-	-	(72,228)
-	-	-	-	(72,228)	-	-	(72,228)
(71,331)	-	2,752	831,424	(12,166)	303,188	20,035	1,480,874
489,316	5,048	162,958	583,283	178,329	327,582	1,188,365	7,674,944
<u>417,985</u>	<u>5,048</u>	<u>165,710</u>	<u>1,414,707</u>	<u>166,163</u>	<u>630,770</u>	<u>1,208,400</u>	<u>9,155,818</u>

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### **Capital Projects Funds**

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

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

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

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**CITY OF NAPLES, FLORIDA**  
Combining Balance Sheet  
Nonmajor Governmental Capital Projects Funds  
September 30, 2018

	<b>Capital Project Funds</b>		<b>Total Nonmajor Capital Projects Funds</b>
	<b>Impact Fee Fund</b>	<b>Land Contribution Fund</b>	
<b>Assets</b>			
Cash and investments	\$ 589,719	9,210	598,929
Accrued interest	2,171	-	2,171
Total assets	<u>\$ 591,890</u>	<u>9,210</u>	<u>601,100</u>
<b>Liabilities</b>			
Accounts payable	<u>\$ -</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Restricted	591,890	-	591,890
Committed	-	9,210	9,210
Total fund balances	<u>591,890</u>	<u>9,210</u>	<u>601,100</u>
Total liabilities and fund balances	<u>\$ 591,890</u>	<u>9,210</u>	<u>601,100</u>



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**CITY OF NAPLES, FLORIDA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Capital Projects Funds  
Year Ended September 30, 2018

	<b>Capital Project Funds</b>		<b>Total Nonmajor Capital Projects Funds</b>
	<b>Impact Fee Fund</b>	<b>Land Contribution Fund</b>	
Revenues			
Permits, fees and assessments	\$ 307,384	-	307,384
Interest	11,537	-	11,537
Total revenues	<u>318,921</u>	<u>-</u>	<u>318,921</u>
Excess of revenues over expenditures	318,921	-	318,921
Other financing uses			
Transfers out	<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>
Total other financing uses	<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>
Change in fund balances	(81,079)	-	(81,079)
Fund balances, beginning of year	672,969	9,210	682,179
Fund balances, end of year	<u>\$ 591,890</u>	<u>9,210</u>	<u>601,100</u>

**CITY OF NAPLES, FLORIDA**  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
Nonmajor Special Revenue Funds  
Year Ended September 30, 2018

	<b>Building and Zoning Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Revenues				
Taxes - property	\$ -	-	-	-
Permits, fees and assessments	3,551,000	3,551,000	4,805,726	1,254,726
Intergovernmental	-	-	-	-
Charges for services	350	350	43	(307)
Fines and forfeitures	-	-	-	-
Interest	43,850	43,850	33,804	(10,046)
Donations	-	-	-	-
Miscellaneous	5,000	5,000	-	(5,000)
Total revenues	<u>3,600,200</u>	<u>3,600,200</u>	<u>4,839,573</u>	<u>1,239,373</u>
Expenditures				
Current				
Public safety	4,517,475	4,471,127	4,051,271	419,856
Economic and physical development	-	-	-	-
Capital outlay				
Public safety	265,000	1,489,145	557,019	932,126
Economic and physical development	-	-	-	-
Debt service				
Interest	-	-	-	-
Total expenditures	<u>4,782,475</u>	<u>5,960,272</u>	<u>4,608,290</u>	<u>1,351,982</u>
Excess (deficiency) of revenues over expenditures	<u>(1,182,275)</u>	<u>(2,360,072)</u>	<u>231,283</u>	<u>2,591,355</u>
Other financing uses				
Transfers out	-	-	-	-
Change in fund balances	(1,182,275)	(2,360,072)	231,283	2,591,355
Fund balances, beginning of year	<u>3,871,949</u>	<u>3,871,949</u>	<u>3,871,949</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,689,674</u>	<u>1,511,877</u>	<u>4,103,232</u>	<u>2,591,355</u>

<b>Community Development Block Grant Fund</b>				<b>Confiscated Properties Fund</b>			
<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
\$ -	-	-	-	\$ -	-	-	-
-	-	-	-	-	-	-	-
100,000	100,000	154,200	54,200	-	-	-	-
-	-	10,000	10,000	-	-	-	-
-	-	-	-	-	-	42,933	42,933
-	-	-	-	-	-	8,235	8,235
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>100,000</u>	<u>100,000</u>	<u>164,200</u>	<u>64,200</u>	<u>-</u>	<u>-</u>	<u>51,168</u>	<u>51,168</u>
-	-	-	-	-	143,755	23,913	119,842
-	-	-	-	-	-	-	-
-	-	-	-	-	305,739	98,586	207,153
-	131,802	119,820	11,982	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>131,802</u>	<u>119,820</u>	<u>11,982</u>	<u>-</u>	<u>449,494</u>	<u>122,499</u>	<u>326,995</u>
<u>100,000</u>	<u>(31,802)</u>	<u>44,380</u>	<u>76,182</u>	<u>-</u>	<u>(449,494)</u>	<u>(71,331)</u>	<u>378,163</u>
-	-	-	-	-	-	-	-
100,000	(31,802)	44,380	76,182	-	(449,494)	(71,331)	378,163
49,404	49,404	49,404	-	489,316	489,316	489,316	-
<u>\$ 149,404</u>	<u>17,602</u>	<u>93,784</u>	<u>76,182</u>	<u>\$ 489,316</u>	<u>39,822</u>	<u>417,985</u>	<u>378,163</u>

(Continued)

**CITY OF NAPLES, FLORIDA**  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
Nonmajor Special Revenue Funds  
Year Ended September 30, 2018

	<b>Grants Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Revenues				
Taxes - property	\$ -	-	-	-
Permits, fees and assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	-	-	-	-
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current				
Public safety	-	-	-	-
Economic and physical development	-	-	-	-
Capital outlay				
Public safety	-	-	-	-
Economic and physical development	-	-	-	-
Debt service				
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing uses				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>8,160</u>	<u>8,160</u>	<u>8,160</u>	<u>-</u>
Fund balances, end of year	<u>\$ 8,160</u>	<u>8,160</u>	<u>8,160</u>	<u>-</u>

<b>Business Improvement District</b>				<b>Port Royal Dredging District Fund</b>			
<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
\$ -	-	-	-	\$ -	-	-	-
510,186	510,186	509,650	(536)	60,000	60,000	63,734	3,734
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>510,186</u>	<u>510,186</u>	<u>509,650</u>	<u>(536)</u>	<u>60,000</u>	<u>60,000</u>	<u>63,734</u>	<u>3,734</u>
-	-	-	-	-	-	-	-
510,673	510,673	509,650	1,023	3,878	3,878	3,672	206
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>510,673</u>	<u>510,673</u>	<u>509,650</u>	<u>1,023</u>	<u>3,878</u>	<u>3,878</u>	<u>3,672</u>	<u>206</u>
(487)	(487)	-	487	56,122	56,122	60,062	3,940
-	-	-	-	(56,122)	(56,122)	(72,228)	(16,106)
(487)	(487)	-	487	-	-	(12,166)	(12,166)
5,048	5,048	5,048	-	178,329	178,329	178,329	-
<u>\$ 4,561</u>	<u>4,561</u>	<u>5,048</u>	<u>487</u>	<u>\$ 178,329</u>	<u>178,329</u>	<u>166,163</u>	<u>(12,166)</u>

**CITY OF NAPLES, FLORIDA**  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
Nonmajor Special Revenue Funds  
Year Ended September 30, 2018

	<b>East Naples Bay District Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Revenues				
Taxes - property	\$ 292,477	292,477	298,841	6,364
Permits, fees and assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	2,275	2,275	4,580	2,305
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>294,752</u>	<u>294,752</u>	<u>303,421</u>	<u>8,669</u>
Expenditures				
Current				
Public safety	-	-	-	-
Economic and physical development	11,000	11,000	233	10,767
Capital outlay				
Public safety	-	-	-	-
Economic and physical development	-	-	-	-
Debt service				
Interest	-	-	-	-
Total expenditures	<u>11,000</u>	<u>11,000</u>	<u>233</u>	<u>10,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>283,752</u>	<u>283,752</u>	<u>303,188</u>	<u>19,436</u>
Other financing uses				
Transfer out	-	-	-	-
Change in fund balances	283,752	283,752	303,188	19,436
Fund balances, beginning of year	327,582	327,582	327,582	-
Fund balances, end of year	<u>\$ 611,334</u>	<u>611,334</u>	<u>630,770</u>	<u>19,436</u>

**Moorings Bay District Fund**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
\$	23,776	23,776	24,107	331
	-	-	-	-
	-	-	-	-
	-	-	-	-
	10,870	10,870	10,777	(93)
	-	-	-	-
	-	-	-	-
	<u>34,646</u>	<u>34,646</u>	<u>34,884</u>	<u>238</u>
	-	-	-	-
	24,250	24,250	14,849	9,401
	-	-	-	-
	-	-	-	-
	<u>24,250</u>	<u>24,250</u>	<u>14,849</u>	<u>9,401</u>
	<u>10,396</u>	<u>10,396</u>	<u>20,035</u>	<u>9,639</u>
	-	-	-	-
	10,396	10,396	20,035	9,639
	<u>1,188,365</u>	<u>1,188,365</u>	<u>1,188,365</u>	<u>-</u>
\$	<u><u>1,198,761</u></u>	<u><u>1,198,761</u></u>	<u><u>1,208,400</u></u>	<u><u>9,639</u></u>



**CITY OF NAPLES, FLORIDA**  
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual  
Debt Service Fund  
Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes	\$ 4,222,585	4,222,585	4,431,082	208,497
Interest	7,020	7,020	6,409	(611)
Total revenues	<u>4,229,605</u>	<u>4,229,605</u>	<u>4,437,491</u>	<u>207,886</u>
Expenditures				
Current				
General government	40,030	40,030	40,030	-
Debt service				
Principal	1,590,000	1,669,825	1,669,825	-
Interest and fiscal charges	88,925	126,709	126,711	(2)
Total debt service	<u>1,678,925</u>	<u>1,796,534</u>	<u>1,796,536</u>	<u>(2)</u>
Total expenditures	<u>1,718,955</u>	<u>1,836,564</u>	<u>1,836,566</u>	<u>(2)</u>
Excess of revenues over expenditures	<u>2,510,650</u>	<u>2,393,041</u>	<u>2,600,925</u>	<u>207,884</u>
Other financing sources (uses)				
Transfers in	991,411	991,411	991,411	-
Transfers out	(3,435,000)	(6,819,135)	(6,862,883)	(43,748)
Debt issued	-	3,384,135	3,427,883	43,748
Total other financing sources (uses)	<u>(2,443,589)</u>	<u>(2,443,589)</u>	<u>(2,443,589)</u>	<u>-</u>
Change in fund balance	67,061	(50,548)	157,336	207,884
Fund balances, beginning of year	<u>1,168,050</u>	<u>1,168,050</u>	<u>1,168,050</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,235,111</u>	<u>1,117,502</u>	<u>1,325,386</u>	<u>207,884</u>

**CITY OF NAPLES, FLORIDA**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Major and Nonmajor Capital Projects Funds  
Year Ended September 30, 2018

	<b>Capital Projects Fund - Major Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Revenues				
Investment income	\$ 72,380	72,380	94,051	21,671
Donations	-	-	166,182	166,182
Total revenues	<u>72,380</u>	<u>72,380</u>	<u>260,233</u>	<u>187,853</u>
Expenditures				
Current				
General government	67,780	67,780	67,780	-
Capital projects				
General government	125,000	417,928	366,827	51,101
Public safety	3,591,000	10,463,015	5,511,315	4,951,700
Transportation	1,127,800	1,719,772	731,480	988,292
Total capital projects	<u>4,843,800</u>	<u>12,600,715</u>	<u>6,609,622</u>	<u>5,991,093</u>
Total expenditures	<u>4,911,580</u>	<u>12,668,495</u>	<u>6,677,402</u>	<u>5,991,093</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,839,200)</u>	<u>(12,596,115)</u>	<u>(6,417,169)</u>	<u>6,178,946</u>
Other financing sources				
Transfers in	3,691,122	7,075,257	7,135,111	59,854
Proceeds from sale of capital assets	40,000	40,000	36,974	(3,026)
Total other financing sources	<u>3,731,122</u>	<u>7,115,257</u>	<u>7,172,085</u>	<u>56,828</u>
Change in fund balance	(1,108,078)	(5,480,858)	754,916	6,235,774
Fund balances, beginning of year	8,821,801	8,821,801	8,821,801	-
Fund balances, end of year	<u>\$ 7,713,723</u>	<u>3,340,943</u>	<u>9,576,717</u>	<u>6,235,774</u>

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## **Nonmajor Enterprise Funds**

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

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

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

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**CITY OF NAPLES, FLORIDA**  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
September 30, 2018

<b>Assets</b>	<b>Naples Beach Fund</b>	<b>Tennis Fund</b>	<b>Total</b>
Current assets			
Cash and investments	\$ 3,895,411	502,568	4,397,979
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	134,918	-	134,918
Accrued interest	10,889	1,335	12,224
Inventories	-	2,849	2,849
Total current assets	<u>4,041,218</u>	<u>506,752</u>	<u>4,547,970</u>
Capital assets			
Buildings and utility plants	1,232,125	703,269	1,935,394
Improvements other than buildings	6,903,919	194,516	7,098,435
Equipment	1,361,103	113,279	1,474,382
Accumulated depreciation	(7,110,807)	(829,749)	(7,940,556)
Construction in progress	17,992	-	17,992
Net capital assets	<u>2,404,332</u>	<u>181,315</u>	<u>2,585,647</u>
Total assets	<u>6,445,550</u>	<u>688,067</u>	<u>7,133,617</u>
<b>Deferred outflows of resources</b>			
Deferred outflows - pensions	62,859	22,795	85,654
Deferred outflows - OPEB	5,088	1,272	6,360
Total deferred outflows of resources	<u>67,947</u>	<u>24,067</u>	<u>92,014</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 80,239	10,464	90,703
Accrued payroll	29,713	8,117	37,830
Unearned revenue	145,726	-	145,726
Current portion of compensated absences	22,000	3,000	25,000
Total current liabilities	<u>277,678</u>	<u>21,581</u>	<u>299,259</u>
Noncurrent liabilities			
Net pension liability	226,957	82,303	309,260
Total OPEB liability	88,167	22,042	110,209
Compensated absences	44,002	18,656	62,658
Total noncurrent liabilities	<u>359,126</u>	<u>123,001</u>	<u>482,127</u>
Total liabilities	<u>636,804</u>	<u>144,582</u>	<u>781,386</u>
<b>Deferred inflows of resources</b>			
Deferred inflows - pensions	36,932	13,393	50,325
Deferred inflows - OPEB	2,418	604	3,022
Total deferred inflows of resources	<u>39,350</u>	<u>13,997</u>	<u>53,347</u>
<b>Net Position</b>			
Investment in capital assets	2,404,332	181,315	2,585,647
Unrestricted	3,433,011	372,240	3,805,251
Total net position	<u>\$ 5,837,343</u>	<u>553,555</u>	<u>6,390,898</u>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Nonmajor Enterprise Funds  
Year Ended September 30, 2018

	<b>Naples Beach Fund</b>	<b>Tennis Fund</b>	<b>Total</b>
Operating revenues			
Charges for services	\$ 1,971,709	605,002	2,576,711
Total operating revenues	<u>1,971,709</u>	<u>605,002</u>	<u>2,576,711</u>
Operating expenses			
Personal services	844,427	208,386	1,052,813
Supplies and services	825,883	254,113	1,079,996
Utilities	129,993	1,037	131,030
Depreciation and amortization	429,288	50,662	479,950
General administration	140,030	43,330	183,360
Other	87,505	26,408	113,913
Total operating expenses	<u>2,457,126</u>	<u>583,936</u>	<u>3,041,062</u>
Operating income (loss)	<u>(485,417)</u>	<u>21,066</u>	<u>(464,351)</u>
Nonoperating revenues			
Grant revenue	201,900	-	201,900
Interest income	32,733	4,170	36,903
Gain on sale of capital assets	10,850	-	10,850
Total nonoperating revenues	<u>245,483</u>	<u>4,170</u>	<u>249,653</u>
Income (loss) before transfers	(239,934)	25,236	(214,698)
Transfers in	<u>-</u>	<u>47,500</u>	<u>47,500</u>
Change in net position	(239,934)	72,736	(167,198)
Net position, beginning of year, as restated	<u>6,077,277</u>	<u>480,819</u>	<u>6,558,096</u>
Net position, end of year	<u>\$ 5,837,343</u>	<u>553,555</u>	<u>6,390,898</u>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
Year Ended September 30, 2018

	<b>Naples Beach Fund</b>	<b>Tennis Fund</b>	<b>Total</b>
Cash flows from operating activities			
Cash received from customers	\$ 1,971,949	605,002	2,576,951
Cash payments to suppliers	(852,722)	(278,210)	(1,130,932)
Cash payments for employee services	(851,725)	(43,330)	(895,055)
Cash payments for interfund services	(140,030)	(210,536)	(350,566)
Net cash provided by operating activities	<u>127,472</u>	<u>72,926</u>	<u>200,398</u>
Cash flows from noncapital financing activities			
Transfers	-	47,500	47,500
Operating grants	201,900	-	201,900
Net cash provided by noncapital financing activities	<u>201,900</u>	<u>47,500</u>	<u>249,400</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	10,850	-	10,850
Acquisition and construction of capital assets	(81,390)	(48,271)	(129,661)
Net cash used by capital and related financing activities	<u>(70,540)</u>	<u>(48,271)</u>	<u>(118,811)</u>
Cash flows from investing activities			
Interest and investment earnings	32,062	4,089	36,151
Net cash provided by investing activities	<u>32,062</u>	<u>4,089</u>	<u>36,151</u>
Net change in cash and cash equivalents	290,894	76,244	367,138
Cash and cash equivalents, beginning of year	3,604,517	426,324	4,030,841
Cash and cash equivalents, end of year	<u>\$ 3,895,411</u>	<u>502,568</u>	<u>4,397,979</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating loss	\$ (485,417)	21,066	(464,351)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	429,288	50,662	479,950
Changes in assets - (increase) decrease			
Receivables, net	(68,010)	-	(68,010)
Due from other governments	237,865	-	237,865
Inventories	-	50	50
Deferred outflows	19,731	7,608	27,339
Changes in liabilities - increase (decrease)			
Accounts payable	(47,206)	3,298	(43,908)
Accrued payroll	(3,516)	1,810	(1,706)
Unearned revenue	68,250	-	68,250
Deferred inflows	17,244	5,980	23,224
Net pension liability	(51,800)	(18,785)	(70,585)
Total OPEB liability	5,928	1,482	7,410
Compensated absences	5,115	(245)	4,870
Net cash provided by operating activities	<u>\$ 127,472</u>	<u>72,926</u>	<u>200,398</u>



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### **Internal Service Funds**

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

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

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

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

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

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**CITY OF NAPLES, FLORIDA**  
Combining Statement of Net Position  
Internal Service Funds  
September 30, 2018

<b>Assets</b>	<b>Equipment Services</b>	<b>Risk Management</b>	<b>Health Benefits</b>	<b>Technology Services</b>	<b>Total</b>
<b>Current assets</b>					
Cash and investments	\$ 281,642	7,326,645	1,094,352	793,106	9,495,745
Receivables, miscellaneous	-	-	4,599	-	4,599
Accrued interest	391	19,048	6,399	2,997	28,835
Inventories	77,396	-	-	-	77,396
Total current assets	<u>359,429</u>	<u>7,345,693</u>	<u>1,105,350</u>	<u>796,103</u>	<u>9,606,575</u>
<b>Capital assets</b>					
Buildings	794,987	-	-	51,957	846,944
Equipment	362,398	25,788	-	2,966,772	3,354,958
Accumulated depreciation	(957,333)	(25,788)	-	(2,370,033)	(3,353,154)
Net capital assets	<u>200,052</u>	<u>-</u>	<u>-</u>	<u>648,696</u>	<u>848,748</u>
Total assets	<u>559,481</u>	<u>7,345,693</u>	<u>1,105,350</u>	<u>1,444,799</u>	<u>10,455,323</u>
<b>Deferred outflows of resources</b>					
Deferred outflows - pensions	67,003	13,815	-	47,317	128,135
Deferred outflows - OPEB	3,816	1,272	-	5,088	10,176
Total deferred outflows of resources	<u>70,819</u>	<u>15,087</u>	<u>-</u>	<u>52,405</u>	<u>138,311</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	67,808	51,624	631	81,626	201,689
Accrued payroll	25,990	5,865	-	12,518	44,373
Unearned revenue	-	-	566	-	566
Total current liabilities	<u>93,798</u>	<u>57,489</u>	<u>1,197</u>	<u>94,144</u>	<u>246,628</u>
<b>Noncurrent liabilities</b>					
Due within one year					
Compensated absences	35,000	-	-	6,000	41,000
Insurance claims payable	-	586,200	446,470	-	1,032,670
Due in more than one year					
Compensated absences	14,976	20,292	-	26,548	61,816
Net pension liability	241,921	49,881	-	170,841	462,643
Total OPEB liability	66,125	22,042	-	88,167	176,334
Insurance claims payable	-	2,344,800	-	-	2,344,800
Total noncurrent liabilities	<u>358,022</u>	<u>3,023,215</u>	<u>446,470</u>	<u>291,556</u>	<u>4,119,263</u>
Total liabilities	<u>451,820</u>	<u>3,080,704</u>	<u>447,667</u>	<u>385,700</u>	<u>4,365,891</u>
<b>Deferred inflows of resources</b>					
Deferred inflows - pensions	39,367	8,117	-	27,800	75,284
Deferred inflows - pensions	1,813	604	-	2,418	4,835
Total deferred inflows of resources	<u>41,180</u>	<u>8,721</u>	<u>-</u>	<u>30,218</u>	<u>80,119</u>
<b>Net Position</b>					
Investment in capital assets	200,052	-	-	648,696	848,748
Restricted, flexible benefits	-	-	362,907	-	362,907
Unrestricted	(62,752)	4,271,355	294,776	432,590	4,935,969
Total net position	<u>\$ 137,300</u>	<u>4,271,355</u>	<u>657,683</u>	<u>1,081,286</u>	<u>6,147,624</u>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Internal Service Funds  
Year Ended September 30, 2018

	<b>Equipment Services</b>	<b>Risk Management</b>	<b>Health Benefits</b>	<b>Technology Services</b>	<b>Total</b>
Operating revenues					
Charges for services	\$ 1,975,798	3,291,405	6,979,578	1,419,880	13,666,661
Operating expenses					
Personal services	663,782	157,452	-	340,256	1,161,490
Supplies, services and claims	1,126,881	2,697,692	8,544,112	828,404	13,197,089
Utilities	25,345	-	-	-	25,345
Depreciation and amortization	46,759	-	-	312,927	359,686
General administration	112,170	74,180	129,020	84,310	399,680
Other	2,466	5,552	-	-	8,018
Total operating expenses	<u>1,977,403</u>	<u>2,934,876</u>	<u>8,673,132</u>	<u>1,565,897</u>	<u>15,151,308</u>
Operating income (loss)	(1,605)	356,529	(1,693,554)	(146,017)	(1,484,647)
Nonoperating revenues					
Interest income	1,027	62,482	21,453	4,715	89,677
Gain on sale of capital assets	-	-	-	955	955
Total nonoperating revenues	<u>1,027</u>	<u>62,482</u>	<u>21,453</u>	<u>5,670</u>	<u>90,632</u>
Change in net position	(578)	419,011	(1,672,101)	(140,347)	(1,394,015)
Net position, beginning of year, as restated	137,878	3,852,344	2,329,784	1,221,633	7,541,639
Net position, end of year	<u>\$ 137,300</u>	<u>4,271,355</u>	<u>657,683</u>	<u>1,081,286</u>	<u>6,147,624</u>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2018

	<b>Equipment Services</b>	<b>Risk Management</b>	<b>Health Benefits</b>	<b>Technology Services</b>	<b>Total</b>
Cash flows from operating activities					
Cash received from customers	\$ 1,988,304	3,291,405	6,979,837	1,419,880	13,679,426
Cash payments to suppliers for goods and services	(1,120,888)	(3,129,440)	(8,480,069)	(769,589)	(13,499,986)
Cash payments for employee services	(688,566)	(74,180)	-	(84,310)	(847,056)
Cash payments for interfund services	(112,170)	(153,606)	(129,020)	(340,931)	(735,727)
Net cash provided by (used in) operating activities	<u>66,680</u>	<u>(65,821)</u>	<u>(1,629,252)</u>	<u>225,050</u>	<u>(1,403,343)</u>
Cash flows from capital and related financing activities					
Proceeds from the sale of capital assets	-	-	-	955	955
Acquisition and construction of capital assets	(7,990)	-	-	(98,187)	(106,177)
Net cash used in capital and related financing activities	<u>(7,990)</u>	<u>-</u>	<u>-</u>	<u>(97,232)</u>	<u>(105,222)</u>
Cash flows from investing activities					
Interest on pooled cash and investments	1,022	61,487	21,204	4,449	88,162
Net cash provided by investing activities	<u>1,022</u>	<u>61,487</u>	<u>21,204</u>	<u>4,449</u>	<u>88,162</u>
Net change in cash and cash equivalents	59,712	(4,334)	(1,608,048)	132,267	(1,420,403)
Cash and cash equivalents, beginning of year	221,930	7,330,979	2,702,400	660,839	10,916,148
Cash and cash equivalents, end of year	<u>\$ 281,642</u>	<u>7,326,645</u>	<u>1,094,352</u>	<u>793,106</u>	<u>9,495,745</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (1,605)	356,529	(1,693,554)	(146,017)	(1,484,647)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	46,759	-	-	312,927	359,686
Changes in assets - (increase) decrease					
Miscellaneous receivables	-	-	399	-	399
Due from other governments	12,506	-	-	-	12,506
Inventories	23,179	-	-	-	23,179
Deferred outflows	22,302	4,214	-	13,859	40,375
Changes in liabilities - increase (decrease)					
Accounts payable	10,625	15,804	(54,194)	58,815	31,050
Accrued payroll	(1,681)	185	-	304	(1,192)
Unearned revenue	-	-	(140)	-	(140)
Insurance claims payable	-	(442,000)	118,237	-	(323,763)
Deferred inflows	17,616	3,863	-	13,578	35,057
Net pension liability	(55,216)	(11,384)	-	(38,993)	(105,593)
Total OPEB liability	4,445	1,482	-	5,928	11,855
Compensated absences	(12,250)	5,486	-	4,649	(2,115)
Net cash provided by (used in) operating activities	<u>\$ 66,680</u>	<u>(65,821)</u>	<u>(1,629,252)</u>	<u>225,050</u>	<u>(1,403,343)</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, 2018

	<b>Pension Trust</b>		
	<b>General Pension Fund</b>	<b>Supplemental General Pension</b>	<b>Managers' 401 Pension</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,148,276	-	-
Receivables			
Contributions	93,226	22,757	5,101
<b>Investments, at fair value</b>			
U.S. Treasury securities	1,434,888	-	-
U.S. Government agency securities	377,101	-	-
Municipal obligations	82,085	-	-
Asset-backed securities	2,422,617	-	-
Corporate bonds	5,133,272	-	-
Common stock/equity funds	41,641,728	-	-
Real estate investment trusts	5,525,695	-	-
Mutual funds	-	9,403,695	1,862,489
Alternative investments	2,246,362	-	-
Total investments	<u>58,863,748</u>	<u>9,403,695</u>	<u>1,862,489</u>
Total assets	<u>60,105,250</u>	<u>9,426,452</u>	<u>1,867,590</u>
<b>Liabilities</b>			
Accounts payable	<u>163,589</u>	-	-
Total liabilities	<u>163,589</u>	-	-
<b>Net position</b>			
Restricted for pension benefits	<u>\$ 59,941,661</u>	<u>9,426,452</u>	<u>1,867,590</u>

**Pension Trust**

<b>Police Officers’ Pension Fund</b>	<b>Firefighters’ Pension Fund</b>	<b>Total</b>
1,054,596	1,062,709	3,265,581
783,443	761,960	1,666,487
1,287,346	1,483,667	4,205,901
291,511	306,761	975,373
67,982	65,449	215,516
2,054,191	2,107,683	6,584,491
4,460,798	4,948,895	14,542,965
37,196,467	41,656,676	120,494,871
4,570,831	4,541,761	14,638,287
-	-	11,266,184
2,347,058	2,496,895	7,090,315
<u>52,276,184</u>	<u>57,607,787</u>	<u>180,013,903</u>
<u>54,114,223</u>	<u>59,432,456</u>	<u>184,945,971</u>
<u>114,898</u>	<u>26,076</u>	<u>304,563</u>
<u>114,898</u>	<u>26,076</u>	<u>304,563</u>
<u>53,999,325</u>	<u>59,406,380</u>	<u>184,641,408</u>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended September 30, 2018

	<b>Pension Trust</b>		
	<b>General Pension Fund</b>	<b>Supplemental General Pension</b>	<b>Managers' 401 Pension</b>
<b>Additions</b>			
<b>Contributions</b>			
Employee contributions	\$ 667,203	449,583	77,264
Employer contributions	1,943,363	231,395	55,129
State contributions	-	-	-
Total contributions	<u>2,610,566</u>	<u>680,978</u>	<u>132,393</u>
<b>Investment earnings</b>			
Interest and dividend income	1,428,993	14,378	1,377
Net change in fair value of investments	4,767,676	598,899	91,145
Less investment expense	<u>(331,426)</u>	<u>(19,732)</u>	<u>(3,887)</u>
Net investment earnings	<u>5,865,243</u>	<u>593,545</u>	<u>88,635</u>
Total additions	<u>8,475,809</u>	<u>1,274,523</u>	<u>221,028</u>
<b>Deductions</b>			
Benefits paid	4,132,046	-	-
Refunds of contributions	472,035	823,109	94,959
General administration	169,463	-	-
Total deductions	<u>4,773,544</u>	<u>823,109</u>	<u>94,959</u>
Changes in net position	3,702,265	451,414	126,069
Net position, beginning of year	56,239,396	8,975,038	1,741,521
Net position, end of year	<u>\$ 59,941,661</u>	<u>9,426,452</u>	<u>1,867,590</u>

**Pension Trust**

<b>Police Officers' Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
204,461	146,837	1,545,348
2,053,662	1,593,953	5,877,502
718,404	539,925	1,258,329
<u>2,976,527</u>	<u>2,280,715</u>	<u>8,681,179</u>
1,246,121	1,335,754	4,026,623
4,183,480	4,664,541	14,305,741
(284,630)	(308,294)	(947,969)
<u>5,144,971</u>	<u>5,692,001</u>	<u>17,384,395</u>
<u>8,121,498</u>	<u>7,972,716</u>	<u>26,065,574</u>
3,645,490	2,410,127	10,187,663
57,507	26,868	1,474,478
105,596	95,636	370,695
<u>3,808,593</u>	<u>2,532,631</u>	<u>12,032,836</u>
4,312,905	5,440,085	14,032,738
49,686,420	53,966,295	170,608,670
<u>53,999,325</u>	<u>59,406,380</u>	<u>184,641,408</u>

**CITY OF NAPLES, FLORIDA**  
Statement of Changes in Assets and Liabilities—Agency Funds  
Year Ended September 30, 2018

	<b>Balance October 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance September 30, 2018</b>
Assets				
Cash	\$ 137	122,496	(122,496)	137
Total assets	<u>\$ 137</u>	<u>122,496</u>	<u>(122,496)</u>	<u>137</u>
Liabilities				
Accounts payable	\$ 137	122,496	(122,496)	137
Total liabilities	<u>\$ 137</u>	<u>122,496</u>	<u>(122,496)</u>	<u>137</u>

## STATISTICAL SECTION (Unaudited)

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

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#### Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 161

#### 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. 171

#### 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. 177

#### 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. 183

#### 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. 185

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

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

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Governmental activities					
Net investment in capital assets	\$ 48,868,221	47,101,732	47,910,235	49,368,390	54,372,698
Restricted	3,781,152	983,750	12,987,575	13,460,387	13,908,144
Unrestricted	42,765,131	45,710,635	33,134,491	32,162,681	27,048,578
<b>Total governmental activities net assets</b>	<b>\$ 95,414,504</b>	<b>93,796,117</b>	<b>94,032,301</b>	<b>94,991,458</b>	<b>95,329,420</b>
Business-type activities					
Net investment in capital assets	\$ 65,279,797	70,342,384	72,488,908	77,344,733	81,292,018
Restricted	2,693,838	3,122,630	4,070,440	1,645,528	-
Unrestricted	25,931,780	28,569,892	32,963,324	39,489,625	43,716,346
<b>Total business-type activities net assets</b>	<b>\$ 93,905,415</b>	<b>102,034,906</b>	<b>109,522,672</b>	<b>118,479,886</b>	<b>125,008,364</b>
Primary government					
Net investment in capital assets	\$ 114,148,018	117,444,116	120,399,143	126,713,123	135,664,716
Restricted	6,474,990	4,106,380	17,058,015	15,105,915	13,908,144
Unrestricted	68,696,911	74,280,527	66,097,815	71,652,306	70,764,924
<b>Total primary government net assets</b>	<b>\$ 189,319,919</b>	<b>195,831,023</b>	<b>203,554,973</b>	<b>213,471,344</b>	<b>220,337,784</b>

<b>Fiscal Year</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
55,192,342	55,794,796	56,389,018	62,307,369	68,234,422
13,908,144	22,621,775	21,362,817	24,075,554	24,295,296
31,850,607	(2,227,579)	(2,990,374)	(8,830,079)	(6,184,560)
<u>100,951,093</u>	<u>76,188,992</u>	<u>74,761,461</u>	<u>77,552,844</u>	<u>86,345,158</u>
90,439,602	100,262,238	110,151,951	115,191,402	120,073,729
-	-	-	-	-
44,977,055	40,616,760	39,299,638	43,181,206	43,600,947
<u>135,416,657</u>	<u>140,878,998</u>	<u>149,451,589</u>	<u>158,372,608</u>	<u>163,674,676</u>
145,631,944	156,057,034	166,540,969	177,498,771	188,308,151
13,908,144	22,621,775	21,362,817	24,075,554	24,295,296
76,827,662	38,389,181	36,309,264	34,351,127	37,416,387
<u>236,367,750</u>	<u>217,067,990</u>	<u>224,213,050</u>	<u>235,925,452</u>	<u>250,019,834</u>



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

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Expenses</b>					
Governmental activities					
General government	\$ 6,668,512	6,394,914	5,622,677	5,457,866	5,301,030
Public safety	25,633,909	25,616,678	23,957,097	24,400,324	24,885,076
Physical and economic environment	2,925,902	3,207,529	3,239,638	3,128,378	2,792,363
Transportation	3,520,363	3,715,335	3,553,288	3,355,650	3,450,265
Culture and recreation	7,733,570	7,243,542	6,850,817	6,609,114	6,942,141
Interest	1,033,650	955,784	443,739	493,896	397,292
Total governmental activities expenses	<u>47,515,906</u>	<u>47,133,782</u>	<u>43,667,256</u>	<u>43,445,228</u>	<u>43,768,167</u>
Business-type activities					
Water and sewer	24,816,306	24,334,032	24,300,280	23,915,729	23,833,110
Solid waste	5,501,931	5,366,770	5,497,576	5,275,918	5,489,089
Stormwater	2,088,938	2,458,129	2,642,191	2,463,801	3,064,173
Other enterprises	3,505,193	3,094,200	3,117,045	3,377,075	3,474,163
Total business-type activities	<u>35,912,368</u>	<u>35,253,131</u>	<u>35,557,092</u>	<u>35,032,523</u>	<u>35,860,535</u>
Total primary governmental expenses	<u>\$ 83,428,274</u>	<u>82,386,913</u>	<u>79,224,348</u>	<u>78,477,751</u>	<u>79,628,702</u>
<b>Program Revenues (see Schedule 3)</b>					
Governmental activities					
Charges for services					
General government	\$ 1,043,665	1,139,439	1,238,135	837,202	874,008
Public safety	3,571,827	3,631,525	3,803,409	4,792,576	4,506,478
Physical and economic environment	12,397	12,064	15,372	15,788	16,009
Transportation	-	6,618	3,942	-	31,210
Culture and recreation	819,228	840,364	751,480	751,862	802,130
Operating grants and contributions	2,978,768	3,190,239	2,909,353	2,631,903	2,803,204
Capital grants and contributions	1,202,496	425,002	294,062	927,761	352,732
Total governmental activities revenues	<u>9,628,381</u>	<u>9,245,251</u>	<u>9,015,753</u>	<u>9,957,092</u>	<u>9,385,771</u>
Business-type activities					
Water and sewer	28,219,062	28,303,440	29,055,653	28,262,634	28,747,954
Solid waste	6,294,650	6,089,265	5,974,018	5,827,277	5,876,369
Stormwater	4,467,178	4,422,225	4,538,097	4,563,918	4,651,910
Beach	1,071,798	1,046,660	1,125,781	1,117,695	1,086,099
Dock	1,078,547	1,067,358	1,298,741	1,512,844	1,649,255
Tennis	548,984	534,095	452,109	417,161	474,559
Operating grants and contributions	501,525	637,810	621,838	635,642	556,850
Capital grants and contributions	2,057,101	2,991,732	1,726,470	3,507,039	1,388,630
Total business-type activities	<u>44,238,845</u>	<u>45,092,585</u>	<u>44,792,707</u>	<u>45,844,210</u>	<u>44,431,626</u>
Total primary governmental revenues	<u>\$ 53,867,226</u>	<u>54,337,836</u>	<u>53,808,460</u>	<u>55,801,302</u>	<u>53,817,397</u>
<b>Net Expense/Revenue</b>					
Governmental activities	\$ (37,887,525)	(37,888,531)	(34,651,503)	(33,488,136)	(34,382,396)
Business-type activities	8,326,477	9,839,454	9,235,615	10,811,687	8,571,091
Total primary government net expense	<u>\$ (29,561,048)</u>	<u>(28,049,077)</u>	<u>(25,415,888)</u>	<u>(22,676,449)</u>	<u>(25,811,305)</u>

<b>Fiscal Year</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
7,715,255	7,518,425	9,555,128	9,454,060	12,982,218
25,969,504	21,801,426	29,016,071	30,594,045	25,994,163
2,714,222	3,784,334	2,805,708	2,633,829	2,859,398
3,089,234	2,923,536	4,042,246	3,123,625	3,682,853
7,093,524	6,993,700	8,397,402	7,644,773	7,717,903
227,976	229,304	188,208	160,230	198,144
<u>46,809,715</u>	<u>43,250,725</u>	<u>54,004,763</u>	<u>53,610,562</u>	<u>53,434,678</u>
24,397,347	23,729,514	24,213,406	25,830,541	26,985,697
6,011,637	6,092,583	6,481,079	6,613,390	6,672,555
3,088,139	3,174,847	3,504,651	4,116,574	4,796,395
3,822,843	3,552,923	4,140,463	3,949,399	4,187,376
<u>37,319,966</u>	<u>36,549,867</u>	<u>38,339,599</u>	<u>40,509,904</u>	<u>42,642,023</u>
<u>84,129,681</u>	<u>79,800,592</u>	<u>92,344,362</u>	<u>94,120,466</u>	<u>96,076,701</u>
3,724,592	3,358,243	3,475,764	3,212,513	3,842,216
4,940,975	5,646,699	5,227,047	4,448,668	6,067,924
17,616	-	10,000	530,000	820,925
104,501	65,948	65,379	87,288	99,854
3,185,180	2,636,165	1,012,252	2,039,913	1,031,798
4,140,006	3,416,843	3,492,964	4,363,770	4,687,374
779,103	936,341	501,211	345,987	2,580,766
<u>16,891,973</u>	<u>16,060,239</u>	<u>13,784,617</u>	<u>15,028,139</u>	<u>19,130,857</u>
32,117,638	29,614,711	30,730,431	33,695,352	32,767,617
6,102,494	5,850,216	6,124,348	7,126,711	7,093,443
5,039,675	4,296,017	4,558,685	5,040,865	4,800,239
1,209,986	1,261,081	1,754,058	1,972,942	1,971,709
1,785,141	1,635,024	1,530,363	1,201,692	1,167,545
531,792	568,002	591,145	560,179	605,002
784,245	2,067,866	1,211,932	127,100	201,900
1,835,613	3,664,105	1,998,774	1,424,561	1,011,861
<u>49,406,584</u>	<u>48,957,022</u>	<u>48,499,736</u>	<u>51,149,402</u>	<u>49,619,316</u>
<u>66,298,557</u>	<u>65,017,261</u>	<u>62,284,353</u>	<u>66,177,541</u>	<u>68,750,173</u>
(29,917,742)	(27,190,486)	(40,220,146)	(38,582,423)	(34,303,821)
12,086,618	12,407,155	10,160,137	10,639,498	6,977,293
<u>(17,831,124)</u>	<u>(14,783,331)</u>	<u>(30,060,009)</u>	<u>(27,942,925)</u>	<u>(27,326,528)</u>

(Continued)

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

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>General Revenues and Other</b>					
<b>Changes in Net Position</b>					
Governmental activities					
Taxes					
Property taxes	\$ 19,729,516	19,418,905	17,872,322	17,390,742	17,330,532
Local communication and utility taxes	4,476,921	4,846,484	5,208,481	5,574,086	5,977,860
Insurance premium tax	2,018,132	1,440,033	1,319,318	1,354,027	1,324,166
Motor fuel taxes	1,393,025	1,396,616	1,386,067	1,397,806	1,367,212
Business taxes	247,021	270,748	243,716	264,110	255,890
Franchise fees	3,971,657	3,498,659	3,474,511	3,361,560	3,299,823
Intergovernmental revenues, unrestricted	2,863,565	2,825,967	2,847,318	2,807,044	2,952,946
Unrestricted investment earnings	1,345,826	542,317	371,937	238,259	175,612
Miscellaneous revenues	17,461	44,415	171,799	19,273	50,070
Gain on sale of capital assets	88,496	-	4,718	26,776	-
Transfers	1,983,370	1,986,000	1,987,500	2,013,610	2,054,280
<b>Total governmental activities</b>	<b>38,134,990</b>	<b>36,270,144</b>	<b>34,887,687</b>	<b>34,447,293</b>	<b>34,788,391</b>
Business-type activities					
Investment earnings	566,730	258,101	186,018	153,699	90,583
Gain on sale of capital assets	136,219	17,936	53,633	5,438	-
Transfers	(1,983,370)	(1,986,000)	(1,987,500)	(2,013,610)	(2,054,280)
<b>Total business-type activities</b>	<b>(1,280,421)</b>	<b>(1,709,963)</b>	<b>(1,747,849)</b>	<b>(1,854,473)</b>	<b>(1,963,697)</b>
<b>Total primary government</b>	<b>\$ 36,854,569</b>	<b>34,560,181</b>	<b>33,139,838</b>	<b>32,592,820</b>	<b>32,824,694</b>
<b>Change in Net Position</b>					
Governmental activities	\$ 247,465	(1,618,387)	236,184	959,157	405,995
Business-type activities	7,046,056	8,129,491	7,487,766	8,957,214	6,607,394
<b>Total primary government</b>	<b>\$ 7,293,521</b>	<b>6,511,104</b>	<b>7,723,950</b>	<b>9,916,371</b>	<b>7,013,389</b>

<b>Fiscal Year</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
18,539,883	19,523,088	21,163,455	22,706,983	24,431,766
5,241,319	5,391,177	5,436,983	5,504,862	5,771,309
1,412,980	1,272,757	1,191,342	1,302,545	1,258,329
1,190,133	1,167,932	1,226,385	1,221,409	1,374,149
269,562	215,039	304,435	302,857	256,858
3,579,771	3,553,455	3,451,036	3,523,250	3,552,964
3,158,266	3,332,872	3,440,243	3,823,706	3,883,028
232,811	543,147	524,052	415,611	675,924
34,155	-	-	-	-
1,655	159,891	34,584	552,483	16,121
1,878,880	4,138,060	2,020,100	2,020,100	2,020,100
<u>35,539,415</u>	<u>39,297,418</u>	<u>38,792,615</u>	<u>41,373,806</u>	<u>43,240,548</u>
200,556	420,063	432,554	301,621	394,491
-	-	-	-	-
<u>(1,878,880)</u>	<u>(4,138,060)</u>	<u>(2,020,100)</u>	<u>(2,020,100)</u>	<u>(2,020,100)</u>
<u>(1,678,324)</u>	<u>(3,717,997)</u>	<u>(1,587,546)</u>	<u>(1,718,479)</u>	<u>(1,625,609)</u>
<u>33,861,091</u>	<u>35,579,421</u>	<u>37,205,069</u>	<u>39,655,327</u>	<u>41,614,939</u>
5,621,673	12,106,932	(1,427,531)	2,791,383	8,936,727
10,408,294	8,689,158	8,572,591	8,921,019	5,351,684
<u>16,029,967</u>	<u>20,796,090</u>	<u>7,145,060</u>	<u>11,712,402</u>	<u>14,288,411</u>

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

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
General Fund					
Reserved	\$ 442,112	420,844	N/A	N/A	N/A
Unreserved	16,151,990	17,052,805	N/A	N/A	N/A
Non-spendable	N/A	N/A	150,464	487,435	425,592
Restricted	N/A	N/A	13,791	13,791	13,791
Committed	N/A	N/A	3,528,888	3,515,091	3,597,298
Assigned	N/A	N/A	46,284	11,765	293,132
Unassigned	N/A	N/A	15,508,265	15,541,877	10,582,398
Total General Fund	<u>\$ 16,594,102</u>	<u>17,473,649</u>	<u>19,247,692</u>	<u>19,569,959</u>	<u>14,912,211</u>
All other governmental funds					
Reserved					
Special revenue funds	\$ 29,839	10,731	N/A	N/A	N/A
Capital projects funds	1,145,643	1,225,757	N/A	N/A	N/A
Debt service funds	1,420,125	1,560,104	N/A	N/A	N/A
Unreserved					
Special revenue funds	5,086,904	5,317,018	N/A	N/A	N/A
Capital projects funds	16,308,321	15,809,889	N/A	N/A	N/A
Debt service funds	1,282,620	1,884,501	N/A	N/A	N/A
Non-spendable	N/A	N/A	121,462	455,198	400,565
Restricted	N/A	N/A	12,973,784	13,446,596	13,487,529
Committed	N/A	N/A	3,928,985	2,927,725	3,167,293
Assigned	N/A	N/A	6,715,447	6,758,559	6,083,658
Unassigned	N/A	N/A	N/A	(571,667)	(603,061)
Total other governmental funds	<u>\$ 25,273,452</u>	<u>25,808,000</u>	<u>23,739,678</u>	<u>23,016,411</u>	<u>22,535,984</u>

Note: GASB 54 was implemented during fiscal year 2011.

<b>Fiscal Year</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
725,388	643,305	33,940	6,938,854	1,075,874
13,791	-	-	-	-
3,597,298	3,597,298	3,507,279	4,126,391	4,046,897
293,132	275,909	41,363	625,890	377,931
11,439,262	14,030,183	16,356,280	575,674	7,089,378
<u>16,068,871</u>	<u>18,546,695</u>	<u>19,938,862</u>	<u>12,266,809</u>	<u>12,590,080</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
390,271	294,674	38,524	15,333	16,931
15,818,513	22,621,775	21,362,817	24,075,554	24,295,296
3,196,870	3,239,337	3,001,368	4,319,627	8,593,870
5,962,952	4,412,135	5,297,819	8,182,094	4,552,336
240,769	(157,009)	-	-	-
<u>25,609,375</u>	<u>30,410,912</u>	<u>29,700,528</u>	<u>36,592,608</u>	<u>37,458,433</u>

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

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Revenues</b>					
Taxes	\$ 27,862,615	27,372,786	26,029,904	25,980,772	26,255,660
Licenses, permits, fees and assessments	6,856,060	6,072,977	6,655,012	7,539,226	7,179,183
Intergovernmental	5,856,457	6,038,913	5,236,599	5,174,417	5,152,801
Charges for services	2,020,389	2,045,248	1,908,981	2,131,943	1,802,160
Charges to other funds	4,093,450	3,720,709	3,720,708	3,681,838	3,597,960
Fines and forfeitures	338,037	254,385	232,575	461,537	418,614
Impact fees/special assessments	-	-	-	-	-
Interest	1,216,224	492,471	336,484	214,851	170,743
Contributions	83,101	211,302	258,985	204,116	115,262
Miscellaneous	115,701	75,544	177,621	9,273	255,225
<b>Total revenues</b>	<b>48,442,034</b>	<b>46,284,335</b>	<b>44,556,869</b>	<b>45,397,973</b>	<b>44,947,608</b>
<b>Expenditures</b>					
General government	9,688,213	8,620,881	8,307,238	8,130,338	8,421,621
Public safety	24,792,638	23,680,724	22,062,961	23,192,344	23,731,367
Physical and economic environment	1,775,115	2,024,380	1,945,948	1,776,115	1,357,378
Transportation	2,116,889	2,246,827	2,191,327	2,069,396	2,298,904
Culture and recreation	5,996,861	5,433,931	5,302,802	5,189,194	5,567,331
Capital outlay	7,053,867	2,303,468	2,830,919	5,193,871	7,381,848
Debt service					
Principal	1,497,000	1,612,000	2,222,000	1,844,000 <sup>(a)</sup>	3,056,000
Interest and fiscal charges	1,066,519	957,917	589,568	445,242	333,221
<b>Total expenditures</b>	<b>53,987,102</b>	<b>46,880,128</b>	<b>45,452,763</b>	<b>47,840,500</b>	<b>52,147,670</b>
Excess (deficit) of revenues over (under) expenditures	(5,545,068)	(595,793)	(895,894)	(2,442,527)	(7,200,062)
<b>Other Financing Sources (Uses)</b>					
Debt issued	6,860,000	-	17,094,000	- <sup>(a)</sup>	13,830,000
Payments to escrow agents	-	-	(8,285,998)	-	(13,793,951)
Payments to current refund debt	-	-	(10,186,000)	-	-
Transfers in	12,714,292	5,766,183	5,705,136	6,396,488	7,032,679
Transfers out	(10,818,965)	(3,780,183)	(3,762,476)	(4,382,878)	(5,037,219)
Sale of capital assets	136,304	23,888	36,953	27,917	30,378
<b>Total other financing sources (uses)</b>	<b>8,891,631</b>	<b>2,009,888</b>	<b>601,615</b>	<b>2,041,527</b>	<b>2,061,887</b>
<b>Net change in fund balance</b>	<b>\$ 3,346,563</b>	<b>1,414,095</b>	<b>(294,279)</b>	<b>(401,000)</b>	<b>(5,138,175)</b>
Debt service as a percentage of noncapital expenditures	5.5%	5.8%	6.6%	5.4%	7.6%

**Note:** <sup>(a)</sup> The City refunded the 2010 Capital Improvement Refunding Revenue Notes.

<b>Fiscal Year</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
26,653,877	27,569,993	29,322,600	31,038,656	33,092,411
10,397,768	9,150,495	8,672,904	7,729,798	9,604,727
5,556,664	6,077,175	6,326,123	7,513,779	7,894,102
1,811,398	1,900,592	1,943,443	2,390,870	2,965,322
3,358,100	3,285,250	3,179,420	3,024,260	3,455,190
195,349	258,806	464,904	559,789	364,634
-	-	-	-	-
199,770	439,445	421,531	355,429	586,247
2,342,947	2,069,470	108,355	543,987	2,239,082
35,463	57,067	67,045	674,457	106,576
<u>50,551,336</u>	<u>50,808,293</u>	<u>50,506,325</u>	<u>53,831,025</u>	<u>60,308,291</u>
8,249,859	8,033,054	8,374,046	9,527,879	11,586,481
24,418,391	24,676,027	25,827,354	26,640,125	27,273,479
1,341,014	1,257,343	1,371,443	1,377,329	1,487,663
2,072,385	2,193,710	3,153,133	2,279,983	2,888,756
5,855,186	5,792,279	7,204,332	6,458,141	6,541,506
4,537,516	5,223,589	4,354,195	9,221,059	13,033,230
1,489,000	1,468,000	1,516,000	1,566,000	1,669,825
177,679	182,882	139,308	111,786	126,711
<u>48,141,030</u>	<u>48,826,884</u>	<u>51,939,811</u>	<u>57,182,302</u>	<u>64,607,651</u>
<u>2,410,306</u>	<u>1,981,409</u>	<u>(1,433,486)</u>	<u>(3,351,277)</u>	<u>(4,299,360)</u>
-	-	-	-	3,427,883
-	-	-	-	-
-	-	-	-	-
5,819,706	12,820,232	7,354,699	16,978,221	10,394,122
(4,010,826)	(7,682,172)	(5,334,599)	(14,958,121)	(8,374,022)
10,865	159,891	95,169	551,204	40,473
<u>1,819,745</u>	<u>5,297,951</u>	<u>2,115,269</u>	<u>2,571,304</u>	<u>5,488,456</u>
<u>4,230,051</u>	<u>7,279,360</u>	<u>681,783</u>	<u>(779,973)</u>	<u>1,189,096</u>
3.9%	3.7%	3.4%	3.5%	3.5%



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

<b>Fiscal Year</b>	<b>Property</b>	<b>Utility and Communication</b>	<b>Franchise Fees</b>	<b>Fuel Taxes</b>	<b>Sales and Use</b>	<b>Other</b>	<b>Total</b>
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
2017	22,706,969	5,504,862	3,523,250	1,221,409	2,460,631	1,605,416	37,022,537
2018	24,431,761	5,771,309	3,552,964	1,374,149	2,576,547	1,515,192	39,221,922
Change 2009-2018	23.8%	28.9%	-10.5%	-1.4%	33.7%	-33.0%	16.2%

**Source:** City of Naples Finance Department

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less Net New Taxable Value</b>	<b>Adjusted Total Taxable Value (for roll back)</b>	<b>Final Taxable Value</b>	<b>Total Direct Tax Rate</b>	<b>Market/Just Value</b>	<b>Actual Taxable Value as a Percentage of Market/Just Value</b>
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%
2016-17	19,811,155,560	411,967,727	511,139,848	19,711,983,439	20,211,468,549	1.1500	25,880,754,301	76.2%
2017-18	21,465,448,412	293,942,163	469,960,656	21,289,429,919	21,759,390,578	1.1500	27,471,643,277	77.5%

**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
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
2017	1.1500	0.0000	1.1500	0.1832	3.5645	0.0293
2018	1.1500	0.0000	1.1500	0.1775	3.5645	0.0293

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

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

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

Mosquito Control did not include this in fiscal year 2014-2015. It was .1050 for fiscal year 2013-2014.

**Overlapping Rates\***

<b>Conservation Collier</b>	<b>School Board</b>	<b>South Water Management</b>	<b>Combined Total</b>
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
0.0000	5.1220	0.2545	10.3035
0.0000	5.0490	0.2440	10.2143

**Schedule 8  
City of Naples  
Principal Property Tax Payers  
As of September 30, 2018**

	2018			2009		
	Taxable Assessed values	Rank	% of total City of Naples assessed values	Taxable Assessed values	Rank	% of total City of Naples assessed values
<b>Top 10 City of Naples Taxpayers</b>						
The Moorings, Inc.	\$ 135,883,085	1	0.64%	79,894,664	3	0.46%
Coastland Center, LLC	72,980,001	2	0.34%	88,390,674	2	0.51%
Westbury Properties, Inc.	61,008,061	3	0.29%	28,568,775	7	0.17%
2658 Florida Land Trust	49,364,047	4	0.23%			
Sandra Gerry	47,338,045	5	0.22%	47,028,606	4	0.27%
2500 Gordon Drive LLC	45,937,604	6	0.22%			
Randall D Bellestri Liv Trust	43,502,991	7	0.20%			
Montana Realty Company, LLC	36,883,179	8	0.17%			
Harold Square Land Trust	36,489,526	9	0.17%			
Naples Edgewater LLC	30,878,044	10	0.15%			
Scott, Kathleen Kapnick						
Florida Power & Light				115,502,208	1	0.67%
Embarq Corporation				31,298,547	5	0.18%
Panthers RPN Limited				30,809,563	6	0.18%
Arthur Allen Jr.				27,784,020	8	0.16%
Judith Herb Trust				25,318,225	9	0.15%
Naples Hospitality Ltd Partnership				25,111,575	10	0.15%
	<u>\$ 560,264,583</u>		<u>2.63%</u>	<u>499,706,857</u>		<u>2.90%</u>
Total City of Naples Assessed Value	\$ 21,289,429,919			16,961,855,227		

**Sources:** Collier County Property Appraiser and 2009 CAFR Certificate of Taxable Value/TRIM

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

<b>Fiscal Year Ended Sept. 30</b>	<b>Taxes Levied for the Fiscal Year<sup>(1)</sup></b>	<b>Current Collections</b>		<b>Delinquent Collections<sup>(2)</sup></b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>% of Levy</b>		<b>Amount</b>	<b>% of Levy</b>
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%
2017	23,567,473	22,696,202	96.3%	10,781	22,706,983	96.3%
2018	25,356,197	24,413,116	96.3%	18,650	24,431,766	96.4%

**Sources:** <sup>(1)</sup>DR 420 MM Line 22

**Note:** <sup>(2)</sup>From City of Naples Finance Department

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

<b>Fiscal Year</b>	<b>Government Activities</b>				<b>Business-type Activities</b>		
	<b>General Obligation Bonds</b>	<b>Public Service Tax Bonds</b>	<b>Redevelopment and Refunding Bonds</b>	<b>Capital Improvement Notes</b>	<b>Water Bonds/Loans</b>	<b>Storm-water Loans</b>	<b>Non major Bonds</b>
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	-
2017	-	-	-	6,986,000	11,945,407	933,960	-
2018	-	-	-	8,744,058	9,237,539	705,155	-

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

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

<b>Total Primary Government</b>	<b>Percentage of Personal Income <sup>(a)</sup></b>	<b>Per Capita <sup>(a)</sup></b>
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
19,865,367	0.90%	200
18,686,752	0.85%	188



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

<b>Fiscal Year</b>	<b>General Obligation Bonds Outstanding</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
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%	-
2017	-	0.00%	-
2018	-	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, 2018**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>City of Naples Direct Debt</b>			
Capital Improvement Notes	\$ 8,744,058	100%	\$ 8,744,058
Total direct debt			<u>8,744,058</u>
<b>Overlapping debt <sup>(a)</sup></b>			
Collier County <sup>(b)</sup>	512,024,316	24%	<u>122,885,836</u>
<b>Total direct and overlapping debt</b>			<u>122,885,836</u>
			<u>\$ 131,629,894</u>

**Sources:** Collier County Comprehensive Annual Financial Report Schedules

**Notes:** <sup>(a)</sup>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  
<sup>(b)</sup>Collier County debt outstanding as of September 30, 2018.

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

<b>Fiscal Year</b>	<b>Water Revenue Bonds</b>				
	<b>Utility Service Charges</b>	<b>Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service Requirement</b>	<b>Coverage</b>
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
2017	33,695,352	25,657,266	8,038,086	2,899,045	2.77
2018	32,767,617	26,870,256	5,897,361	2,898,555	2.03

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements. Prior to the 2011 fiscal year, operating expenses did not include interest, depreciation or amortization expenses.

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

<b>Utility Tax Revenue Bonds</b>				<b>Tax Increment Revenue Bonds</b>			
<b>Utility Tax Collections</b>	<b>Debt Service</b>		<b>Coverage</b>	<b>Tax Increment Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
	<b>Principal</b>	<b>Interest</b>			<b>Principal</b>	<b>Interest</b>	
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)
(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**

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income</b> <i>(thousands of dollars)</i>	<b>Per Capita Income</b>	<b>Median Age</b>	<b>County School Enrollment</b>	<b>Unemployment Rate (June)</b>
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%
2017	22,041	1,980,648	89,862	65.0	49,393	3.9%
2018	22,214	2,210,493	99,509	64.4	47,961	3.3%

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

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

Employer	2018			2009		
	Employees <sup>(1)</sup>	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Collier County Public Schools	7,000	1	31.9%	4,728	1	31.8%
NCH Healthcare System	4,315	2	19.6%	3,007	2	20.2%
Arthrex, Inc.	2,355	3	10.7%			
Collier County Government	2,313	4	10.5%	2,276	3	15.3%
Collier County Sheriff	1,405	5	6.4%	1,387	4	9.3%
Publix Supermarkets	1,257	6	5.7%			
Ritz Carlton, Naples	1,100	7	5.0%	743	6	5.0%
JW Marriott - Marco Island	1,050	8	4.8%			
Naples Grande Beach Resort	700	9	3.2%	605	7	4.1%
City of Naples	465	10	2.1%	481	8	3.2%
Home Depot	-		-	1,012	5	6.8%
Naples Beach and Tennis	-		-	423	9	2.8%
Collier County Health Dept	-		-	207	10	1.4%
Estimated Total	<u>21,960</u>		<u>100.0%</u>	<u>14,869</u>		<u>100.0%</u>

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

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

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Mayor and Council	1.0	1.0	1.0	1.0	1.0
City Clerk	8.0	6.0	6.0	6.0	6.0
City Attorney	1.0	1.0	1.0	1.0	1.0
City Manager and Code Enforcement	7.0	6.7	8.9	8.9	5.9
Human Resources	6.0	5.0	4.0	4.0	4.0
Planning	5.0	5.0	4.0	3.5	3.5
Finance	21.8	19.8	19.8	18.8	17.8
Community Services	36.0	30.0	41.0	40.0	40.5
Police	109.7	104.4	98.4	98.4	98.4
Fire	61.0	61.0	63.0	63.0	63.0
Non-departmental	12.0	11.0	(a)	(a)	(a)
Water and Sewer Fund	95.0	98.0	97.0	98.0	99.0
Solid Waste Fund	28.0	24.0	25.5	25.5	25.5
Streets and Traffic Fund	7.5	7.5	7.5	7.5	6.1
Stormwater Fund	5.5	6.0	6.0	6.0	10.4
City Dock Fund	4.0	3.0	2.6	3.6	3.6
Tennis Fund	4.0	4.0	4.0	4.0	4.0
Beach Fund	12.8	12.8	13.0	12.0	12.0
Technology Services Fund	10.0	10.0	10.0	10.0	10.0
Equipment Services Fund	10.0	8.5	8.5	8.5	8.5
Risk Management Fund	1.0	1.0	1.0	1.0	1.0
Building Permit Fund	26.0	17.5	17.5	18.0	23.8
Community Redevelopment	9.0	8.3	8.3	6.3	6.3
Construction Management	(a)	(a)	(a)	(a)	(a)
<b>TOTAL EMPLOYEES</b>	<b>481.3</b>	<b>451.5</b>	<b>448.0</b>	<b>445.0</b>	<b>451.3</b>

**Source:** City of Naples Budget Document

**Notes:** (a) Fund eliminated in 2009.

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

<b>Fiscal Year</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
1.0	1.0	1.0	1.0	1.0
6.0	6.0	6.0	6.0	6.0
1.0	1.0	1.0	1.0	1.0
5.9	5.9	4.9	8.9	9.9
4.0	4.0	4.0	4.0	4.0
3.5	3.5	3.5	5.0	6.0
13.8	13.8	13.8	10.8	10.5
40.5	40.5	40.5	42.5	45.5
98.4	98.4	98.4	98.4	99.4
63.0	63.0	63.0	65.0	66.0
(a)	(a)	(a)	(a)	(a)
103.0	103.0	104.0	104.0	104.0
25.5	25.5	26.0	26.0	26.0
5.5	5.5	5.5	5.5	5.5
10.0	11.0	11.0	11.0	11.0
3.6	3.6	3.6	3.6	3.6
4.0	4.0	4.0	4.0	4.0
13.0	13.2	13.2	13.2	15.4
8.0	7.0	7.0	6.0	6.0
8.5	8.5	8.5	8.5	8.5
1.0	1.0	1.0	1.0	1.0
28.0	30.0	36.5	34.0	33.5
6.3	6.3	6.3	6.3	6.3
(a)	(a)	(a)	(a)	(a)
<b>453.5</b>	<b>455.7</b>	<b>462.7</b>	<b>465.7</b>	<b>474.1</b>



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

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
General government					
Commercial permits issued	268	237	182	285	225
Residential permits issued	1,994	828	961	1,267	1,229
Police					
Physical arrests	3,164	658	465	1,111	758
Parking violations	15,105	15,985	14,351	15,107	12,906
Traffic violations	11,087	7,601	5,641	8,168	6,767
Fire					
Emergency responses	4,810	4,423	4,812	4,839	4,901
Fires extinguished	70	61	97	96	69
Inspections	5,200	8,412	6,557	7,882	7,761
Refuse collection					
Refuse (tons per day)	119	101	103	153	131
Recyclables (tons per day)	14	10	12	17	19
Other public works					
Street resurfacing (miles)	11	9	9	5	5
Potholes repaired <sup>(a)</sup>	59	73	98	77	72
Parks and recreation					
Special events, participants <sup>(b)</sup>	759	980	3,501	3,550	3,640
Beach parking permits issued <sup>(c)</sup>	15,921	N/A	N/A	5,560	6,590
Camps, Classes, participants <sup>(d)</sup>	943	850	876	4,510	5,350
Water					
New connections	109	70	93	172	171
Water main breaks	68	16	12	16	21
Average daily consumption (millions of gallons)	16.0	14.7	15	14	13.5
Peak daily consumption (millions of gallons)	20.4	19.2	18	19	17.8
Wastewater					
Average daily sewage treatment (thousands of gallons)	6,720	6,330	5,852	5,688	5,680

**Sources:** Various City Departments

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

<b>Fiscal Year</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
144	143	144	86	138
1,133	1,124	1,228	1,122	1,057
634	575	579	373	433
12,778	11,271	8,181	10,158	11,534
5,489	5,989	6,133	4,934	4,169
5,217	5,539	6,804	6,234	6,735
98	96	70	84	102
7,299	7,589	8,066	7,863	11,299
119	92	129	117	96
21	28	29	28	15
4.25	4.26	10	11	10
63	82	44	78	84
3,812	3,760	2,717	2,164	3,167
6,802	5,249	5,802	6,050	5,296
5,531	11,066	16,773	10,168	31,561
226	201	169	122	129
14	17	13	11	63
14.3	13.8	14.0	15.0	14.0
19	18	17	19	19
5,225	4,800	5,100	5,270	5,270

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

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
Police					
Number of employees	110	104	98	104	103
Total Police Incidents Handled	55,580	48,192	57,602	66,622	68,988
Fire stations	3	3	3	3	3
Refuse collection trucks	24	25	25	25	25
Other public works					
Streets (miles)	108	108	108	110	112
Streetlights	2,375	2,390	2,390	3,006	3,006
Traffic signals	44	44	44	42	42
Parks and recreation					
Swimming pools	1	1	1	1	1
Community centers	3	3	3	3	3
Pier	1	1	1	1	1
Dock	1	1	1	1	1
Water					
Active accounts	17,781	16,495	16,545	16,684	16,791
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	30	30	30	30	30
Sewer					
Active accounts	9,052	8,814	9,253	8,951	8,895
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	10	10	10	10	10

**Sources:** Various City departments

<b>Fiscal Year</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
103	103	96	98	99
65,968	67,193	83,774	79,787	73,878
3	3	3	3	3
25	25	25	25	25
112	112	112	112	112
3,006	3,006	3,006	3,006	3,006
42	42	40	40	40
1	1	1	1	1
3	3	3	3	3
1	1	1	1	1
1	1	1	1	1
16,943	17,078	17,244	17,310	17,385
1	1	1	1	1
30	30	30	30	30
8,812	8,820	9,037	9,207	9,262
1	1	1	1	1
10	10	10	10	10

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**OTHER INDEPENDENT AUDITOR  
REPORTS AND SCHEDULES**

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

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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, 2018, 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 13, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, as described in the accompanying Schedule of Findings and Recommendations (Finding 2018-001) that we consider to be a material weakness.



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**Compliance and Other Matters**

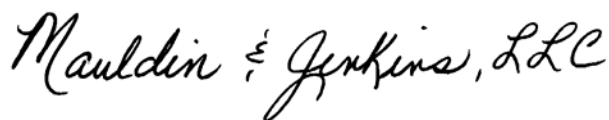
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

**City's Response to 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 13, 2019



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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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, 2018, and have issued our report thereon dated March 13, 2019.

### **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 Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 13, 2019, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

### **Official Title and Legal Authority**

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

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**Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.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.

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

**Special District Component Units**

Section 10.554(1)(i)5.d., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), *Florida Statutes*. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), *Florida Statutes*.


**Additional Matters**

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

**Purpose of this Letter**

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

Bradenton, Florida  
March 13, 2019



THE CITY OF NAPLES, FLORIDA

Schedule of Findings and Recommendations  
September 30, 2018

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**FINDINGS**

**2018-001 Capital Assets**

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

**Condition:** While testing capital assets, we noted adjustments were required to properly report capital assets in various funds of the City. Adjustments to decrease capital assets by \$68,007 in the Water & Sewer Fund, decrease capital assets by \$875,833 in the Stormwater Fund, and decrease capital assets by \$134,813 in Governmental Activities 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 fund 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 concurs regarding the adjustment to decrease the capital assets identified in the finding. The City will establish a capital asset and construction in progress reconciliation worksheet with a high level look back reconciliation to assure completed assets are added assets and also removed from construction in progress to assure total assets are reconciled and reported in the correct period.

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## INDEPENDENT ACCOUNTANT'S REPORT

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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, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

Bradenton, Florida  
March 13, 2019

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

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