

City of Naples, Florida



***Comprehensive Annual Financial Report
For the Year Ended September 30, 2009***

THE CITY OF NAPLES, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2009
(With Independent Auditors' Report Thereon)

Prepared By:
FINANCE DEPARTMENT



City of Naples, Florida

Principal Officials

September 30, 2009

Mayor

Bill Barnett

Vice Mayor

Penny Taylor

City Council

Teresa Heitmann

Gary B. Price II

John F. Sorey III

Margaret Sulick

Bill Willkomm III

City Attorney

Robert D. Pritt

City Clerk

Tara Norman

City Manager

A. William Moss

Department Directors

Assistant City Manager

Roger Reinke

Building Official

Paul Bollenback

Chief of Police & Fire Department

Thomas Weschler

Community Services Director

David M. Lykins

Finance Director

Ann Marie S. Ricardi

Human Resources Director

Denise K. Perez

Planning Director

Robin D. Singer

Streets and Stormwater Director

Ronald A. Wallace

Technology Services Director

Stephen A. Weeks

Utilities Director

Robert Middleton

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City of Naples

FINANCE DEPARTMENT
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March 8, 2010

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

The Comprehensive Annual Financial Report (CAFR) of the City of Naples for the fiscal year ended September 30, 2009, is hereby submitted. This Annual Report was prepared by the Finance Department and is in compliance with Florida Statutes Chapter 218.39, Chapter 10.550 of the Rules of the Auditor General of the State of Florida and Section 2-601 of the City Code of Ordinances.

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

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

Profile of the Government

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

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

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

The original Town of Naples was incorporated on December 1, 1923. Naples is approximately 15 square miles and has 108 centerline miles of streets.

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

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

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

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

The Reporting Entity and its Services

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

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

The Naples Airport Authority, although governed by board members who are directly appointed by the City Council, is not a part of this report, as it does not meet the criteria of Statement Number 14 of the Governmental Accounting Standards Board. The Collier County school system is an independent special district and not part of

the City of Naples. Its financial data is not included in the financial statements in this report. Naples Community Hospital is a private nonprofit corporation providing quality medical care to the community. It is not part of the City of Naples municipal government and its financial data is not included in the financial statements in this report.

Accounting System and Budgetary Control

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

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

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

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

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

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

The adopted budget may be amended in two ways.

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

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

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

Major Fund Presentation

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

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

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

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

Factors Affecting Financial Condition

Local Economy

At the start of fiscal year 08-09, the City was planning for the impact of the economic decline and the change in citizen attitudes about money. Although the City is a high-end tourist destination, the economic conditions were already beginning to take a toll. Building permits were on a decline, the City Dock was showing a loss and property taxes were affected by property tax reform and the real estate market. To offset the decline, the fiscal year 08-09 budget reduced the City staffing level by 33 positions, including eliminating the Construction Management Department and reorganizing other functions to keep the millage rate at the rollback rate.

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

While demand for general City services remained strong, the City Dock and the Building Department saw a further decline during Fiscal Year 2008-09. The economic decline was monitored carefully, and by midyear, another hard decision was reached to eliminate eight building inspection-related positions, because of the reduced workload. Revenues at the City Dock continued to decline, even though fuel prices began to fall, resulting in the elimination of a position and a subsequent reorganization. The decline in revenue was attributed to boaters not renewing slip leases, and fewer boaters fueling at the City Dock. The sales decline is partially the result of people having less money, and choosing to spend what they had on necessities, instead of recreation. It was found that smaller boats would choose to fuel at gas stations, and boaters with personal residential boat slips found it cheaper to have a tanker come to their own property, rather than fuel at the City Dock.

During the past year, the nation has seen a trend of declining property values, even to the point of foreclosures or abandonments. Naples has been spared much of the loss, due to its stable residential base, and perhaps a less speculative real estate market.

Unfortunately while the cost of housing declined, the unemployment rate increased. Until recently, the area workforce was nearly at full employment. However, in Collier County, the September 2009 unemployment rate was 8.4%, up from 6% a year prior. Jobless or underemployed customers and residents paid bills slower or later.

Employee turnover has declined due to the poor job market. Employees see the value of the city's stability. Government jobs, which previously would see only a few applicants, now see hundreds.

Naples' taxable value was reduced, in part due to the national economy, but also due to the increase in the Homestead Exemption. As of September 2009, the taxable value of the City was over \$16.3 billion, a decrease of 5.5% from the prior year. This is the lowest taxable value since 2005.

The property tax from taxable real estate provides the City with its major source of revenue to support operations of the General Fund. The City is limited by the Constitution of the State of Florida to an ad valorem tax levy of ten mills on each dollar of assessed valuation for operating expenditures. Naples' ad valorem tax remains significantly below the maximum allowed.

In 2008, the U.S. Department of Commerce estimated Naples' per capita income at \$64,349, second highest in the nation for Metropolitan Statistical Areas.

Long-term Financial Planning

In September 2009, the City Council passed Resolution 09-12512, revising the adopted financial policies. These policies covered six major areas:

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

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

In June 2007, the City established a 10-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.

Major Initiatives

The Ten Year Vision Plan that was 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 five major goals of the vision plan. Some of these goals were enacted, as follows:

Vision Goal 1: Preserve the Town’s distinctive character and culture.

The Parkways Division of the Community Services Department planted 45 new trees along Gordon Drive as part of the annual tree planting program.

A partnered effort between the City and the Third Street South Association resulted in a replacement of fifty weak and diseased street trees along the Third Street South commercial area between Broad Avenue South and 15th Avenue South.

For the twelfth consecutive year, the City of Naples received the Tree City U.S.A. designation.

In keeping with preservation of green space, the former Fun Time Nursery site along 10th Street North is being converted to a passive park. A total of \$111,802 in Community Development Block Grant (CDBG) funding has been allocated to replace the air conditioning baffling at River Park Community Center.

Vision Goal 2: Make Naples the green jewel of southwest Florida.

The Parkways Division converted 211 battery powered irrigation systems controllers to solar operated systems. A total of \$50,000 was also invested in upgrading the City’s “Maxicom” computer controlled irrigation system. This included a computer-linked weather station that allows the system to link real time weather events to the database and eliminate the need to irrigate during and after rain events, reducing water consumption by approximately 25% of current use, or 23 million gallons annually.

The Facilities Maintenance Division installed two waterless urinals in City Hall that are estimated to reduce water consumption by 88,000 gallons over the course of a year compared to conventional equipment. The division also installed motion activated automated flushing valves in restrooms at the Naples Pier intended to reduce water consumption by 50% compared to manually operated equipment.

The Facilities Maintenance Division installed motion activated sensors in various facilities replacing standard light switches. Sensors are programmed to shut off electric lights when a room becomes inactive.

Naples Preserve is a nine-acre coastal upland protected area managed by Community Services. Throughout 2009, there were nine months of weekly Nature Talks and Eco Tours. Eighteen Gopher tortoise hatchlings were discovered on site and are being monitored. Rain barrels and a solar pond were installed at the Hedges Eco Center.

Three floating plant islands were placed in city lakes to increase the ability of the lakes to remove pollutants from stormwater. These new islands are made of mats that can be removed, the plants harvested, and then re-planted.

In 2007, the City Council became a signatory member of the US Mayors Climate Protection Agreement. Following that signing, the City commissioned an energy audit of all its operations. In November 2008, the City convened an Energy Savings Task Force, which met for a six-month period to develop practical, cost effective and logistically feasible ways to reduce City operating costs. Where possible, items in the Action Plan were immediately implemented, while others will be implemented with additional funding.

In conjunction with the Moorings Bay Special Taxing District, staff organized and managed a project that used volunteers to affix five inch round medallions to hundreds of stormwater drains along streets in the Moorings Bay watershed. The medallions inform the public that the drains flow into the Gulf of Mexico and Moorings Bay, and that dumping materials down the drains results in the pollution of these natural water bodies.

Two demonstration rain gardens were created in town. These small areas of native flowering vegetation route rain runoff from impervious surfaces, and filter the water naturally through the plants in the garden. This prevents fertilizer, yard wastes, sediment, and animal wastes from draining into storm sewers and polluting Naples Bay.

In January 2008, customers were able to connect to the Reclaimed Water System. In fiscal year 2009, due to an enhanced effort to reduce chlorides, there was an increase in residents requesting to connect to the reclaimed water system, with 152 reuse water connections made, and 231 applications pending. Future initiatives will provide residents adjacent to older sections of the reclaimed water system the ability to connect as an alternative irrigation water source.

During fiscal year 2009, the Gordon River Water Quality Park ASR Exploratory Well was completed. This well provided positive geological results; however, the storage zone is located in the drinking water aquifers. Therefore, further work will not take place.

During the later part of fiscal year 2009, staff devised a plan and scope of work to determine the feasibility to withdraw water from the Golden Gate Canal. The Preliminary Design Report (PDR) is anticipated to be completed in June 2010. Final design is anticipated to be complete in July 2011. The PDR will establish transmission main route and intake location based on permitability, costs, and feasibility.

Vision Goal 3: Maintain an extraordinary quality of life for residents.

Several City park facilities were improved. A new playground area was installed in the north end of Lowdermilk Park. The northeast corner of the Fleischmann Community Center was enclosed to create additional community meeting space. Restrooms were renovated at the Fleischmann Field House, creating larger and more efficient public restroom facilities. Lighting and stage improvements were installed at the Norris Center auditorium for improved access and vision during theatrical performances.

Construction of a new four-level parking garage at 8th Street South and 6th Avenue South was completed in February 2009. The Garage provides over 300 free parking spaces in downtown Naples and it is open 24 hours a day year-round. The project was designed and constructed with an emphasis on aesthetics and includes decorative railing, extensive landscaping and unique artwork.

The new Spring Lake Overlook is located a half block south of 5th Avenue South between East and West Lake Drives. What was once a neglected and eroding embankment has been transformed into a peaceful retreat a few steps from a bustling business area.

Cash and Investments

During fiscal year 2008-09, the City earned \$1,912,556 in interest income on an average balance of cash and investments of \$77,972,102. This income resulted in a rate of return of 2.45%, below the portfolio's benchmark of 4.27% for the 1-3 year Merrill Lynch U.S. Treasury/Agency index, and above the 0.89% for the funds invested with the State Board of Administration. Returns were lower than the prior year's yield of 3.87%. This is reflective of the overall economy, and the City Council's directive to avoid principal risk.

Investment activity was governed by the City's Investment Policy adopted in September 2005 and amended in March 2008. The primary objectives are: (1) Safety, (2) Liquidity and (3) Yield. Cash temporarily idle during the year was invested through the Fifth Third banking contract at the federal funds rate less 25 basis points for all monies on deposit in excess of the compensating balance of \$750,000. The Orion banking contract for lock box services has a compensating balance of \$550,000 with all monies in excess deposited in a money market paying 2%. The City also maintained accounts with the State Board of Administration's Local Government Investment Pool, two money market accounts and five Certificates of Deposit. MBIA is contracted as the City's investment advisor, and their active management of the portfolio includes investment activity as outlined in the Investment Policy for increasing yields while maintaining diversity, safety and liquidity.

Pension and Other Post-Employment Benefits

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

Because the actuary uses a four year average rate of return to determine funding needs, the funding of pension benefits will likely continue at these higher rates for the next two years, even though the interest rate environment declines.

The City does not offer any post-employment retirement benefits, except to the extent those retirees may purchase health, life and dental insurance for themselves and families at the current full premium rate. In insurance plans where a government's retirees and current employees are insured together as a group, the premiums paid by the retirees may be lower than they would have been if the retirees were insured separately. This is called an *implicit rate subsidy*. Starting with fiscal year 2008-2009, GASB 45 requires that the City begin recording an obligation for this liability.

Awards and Acknowledgments

Independent Audit

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

Distinguished Budget

The City's budget for 2008-09 received the GFOA's Distinguished Budget Presentation Award. In order to qualify for the Distinguished Budget Presentation Award, the budget had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Naples, Florida, for our Annual Financial Report for the fiscal year ended September 30, 2008.

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

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

Acknowledgements

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

Respectfully submitted,



A. William Moss
City Manager

Ann Marie S. Ricardi
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Naples
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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



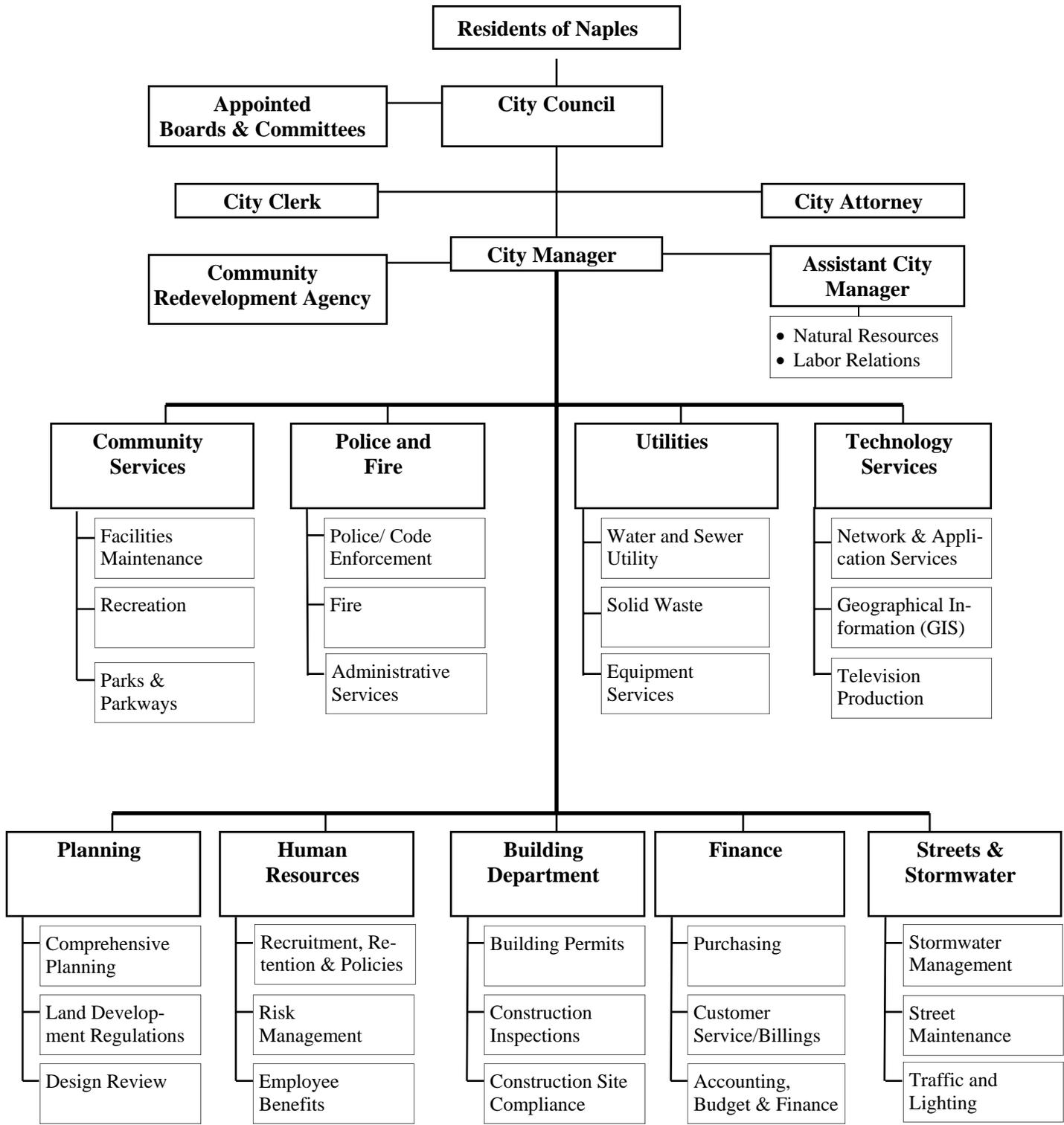
A stylized, handwritten signature in black ink, appearing to be "H.R." or similar initials.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

City of Naples Organizational Chart



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Naples, Florida, (the City) as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Naples, Florida, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the pension and other post-employment benefit schedules on pages 3 through 13 and pages 98 through 101, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

CPA Associates

Bradenton, Florida
March 8, 2010

The City of Naples, Florida
Management's Discussion and Analysis
(Unaudited)
September 30, 2009

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, 2009.

Financial Highlights

- The assets of the City of Naples exceeded its liabilities at September 30, 2009, by \$189.3 million (net assets). Of this amount, \$68.7 million of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$7.3 million.
- As of September 30, 2009, the City of Naples' governmental activities reported combined ending net assets of \$95.4 million. This is an increase of \$.25 million from the prior year. Approximately 45% of this total is unrestricted.
- The City of Naples total debt increased by \$3.1 million during the current fiscal year. This increase is discussed further in Debt Administration.

Overview of the Financial Statements

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

The Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

The Total column on the Proprietary Fund Financial Statements (pages 30-39) is the same as the business-type activities column at the Government-wide Financial Statements and does not require a reconciliation because of using the same measurement focus (economic resources measurement focus and accrual basis of accounting).

Notes to the Financial Statements

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

Required Supplementary Information

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

Government-wide Financial Analysis

The City's combined net assets as of September 30, 2009 were \$189.3 million. The City's combined revenues, including contributions, grants, charges for services and taxes were \$90.7 million. Total expenses, citywide were \$83.4 million. Table 1 reflects the summary statement of net assets for the current and prior year.

Table 1

Statement of Net Assets

(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 55,467	51,813	36,650	34,295	92,117	86,108
Capital assets	71,478	70,174	98,278	95,547	169,756	165,721
Total assets	126,945	121,987	134,928	129,842	261,873	251,829
Long term liabilities outstanding	27,373	21,405	32,831	34,977	60,204	56,382
Other liabilities	4,158	5,413	8,192	8,006	12,350	13,419
Total liabilities	31,531	26,818	41,023	42,983	72,554	69,801
Net assets:						
Invested in capital assets, net of debt	48,868	52,934	65,280	60,313	114,148	113,247
Restricted	3,781	3,004	2,693	2,567	6,474	5,571
Unrestricted	42,765	39,231	25,932	23,979	68,697	63,210
Total net assets	\$ 95,414	95,169	93,905	86,859	189,319	182,028

The largest portion of the City's net assets (60%) reflects its investment in capital assets (land, buildings, plants and equipment) less outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending. It is also important to recognize that other resources will be required to repay the outstanding debt on capital assets. Restricted net assets (representing 4% of the total net assets) are subject to external restrictions on how they may be used. The remaining 36% of unrestricted net assets, \$68.7 million, may be used to meet the City's ongoing obligations to the citizens and creditors.

For the total primary government, including both governmental and business type activities, net assets increased \$7.291 million. Governmental activities increased the City of Naples net assets by \$0.245 million, thereby accounting for 3% of the total growth in net assets of the City of Naples. Business type activities accounted for \$7.046 million of the increase.

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

Table 2

Changes in Net Assets

(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 5,447	7,148	41,680	37,820	47,127	44,968
Operating grants and contributions	2,979	2,633	502	647	3,481	3,280
Capital grants and contributions	1,202	2,350	2,057	3,358	3,259	5,708
General Revenues:						
Property taxes	19,730	19,416	-	-	19,730	19,416
Other taxes	8,133	7,799	-	-	8,133	7,799
Franchise fees	3,972	3,740	-	-	3,972	3,740
Intergovernmental revenues	2,863	3,160	-	-	2,863	3,160
Unrestricted investment earnings	1,346	2,043	566	831	1,912	2,874
Other	106	45	136	-	242	45
Total revenues	<u>45,778</u>	<u>48,334</u>	<u>44,941</u>	<u>42,656</u>	<u>90,719</u>	<u>90,990</u>
Expenses:						
General government	6,669	8,141	-	-	6,669	8,141
Public safety	25,634	24,409	-	-	25,634	24,409
Physical and economic environment	2,926	2,588	-	-	2,926	2,588
Transportation	3,520	3,395	-	-	3,520	3,395
Cultural and recreation	7,733	8,584	-	-	7,733	8,584
Interest and fiscal charges	1,034	831	-	-	1,034	831
Water and sewer	-	-	24,816	23,625	24,816	23,625
Solid waste	-	-	5,502	5,836	5,502	5,836
Stormwater	-	-	2,089	1,833	2,089	1,833
Other	-	-	3,505	4,177	3,505	4,177
Total expenses	<u>47,516</u>	<u>47,948</u>	<u>35,912</u>	<u>35,471</u>	<u>83,428</u>	<u>83,419</u>
Increase (decrease) in net assets before special items and transfers	(1,738)	386	9,029	7,185	7,291	7,571
Special item	-	-	-	(458)	-	(458)
Transfers	1,983	1,965	(1,983)	(1,965)	-	-
Increase in net assets	<u>245</u>	<u>2,351</u>	<u>7,046</u>	<u>4,762</u>	<u>7,291</u>	<u>7,113</u>
Net assets - beginning	<u>95,169</u>	<u>92,818</u>	<u>86,859</u>	<u>82,097</u>	<u>182,028</u>	<u>174,915</u>
Net assets - ending	<u>\$ 95,414</u>	<u>95,169</u>	<u>93,905</u>	<u>86,859</u>	<u>189,319</u>	<u>182,028</u>

The total primary government revenues show a \$0.27 million decrease or 0.29% under last year's total revenues. The total Business-type activities increased \$2.29 million. Governmental activities show a \$2.56 million decrease. The primary reasons for this decrease in governmental activity revenue are as follows:

- A decrease of \$1.7 million occurred in the area of charge for services while a decrease of \$1.15 million occurred in capital grants and contributions.
- Investment Earnings decreased \$697 thousand or 34% from the prior year, due to the weakening economy.

Business-type activities showed an increase in revenues, increasing \$2.285 million or 5.36% over the revenues of 2008. Business type activity revenue was led by an increase in charges for services. Specifically, the water and sewer utility implemented a rate restructuring, and the stormwater utility and solid waste implemented rate increases.

The total primary government's expenses increased \$9 thousand. Governmental activities reported a 0.9% decrease in expenses, with business type activities reporting a 1.24% increase. The primary reason for the governmental activity decrease is the reduction in employees.

Governmental Activities

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

The cost of all governmental activities this year was \$47.5 million. As shown in the statement of activities on page 18, the net cost that was ultimately paid through taxes was \$37.9 million. The \$9.6 million of the cost of governmental activities not covered by taxes was provided by:

- \$5.4 million in charges for services, made of \$2.4 million in building/permit fees, \$1.1 million in police and fire services, \$0.8 million for recreation fees, and the balance from various fees related to transportation, economic environment and general government services.
- \$3.0 million in operating grants and contributions, including \$2.2 million from Collier County's share of the Community Redevelopment Tax Increment Financing District and the remaining from other grants from agencies including FDOT, Tourism Development and Collier County.
- \$1.2 million in capital grants and contributions, which includes \$1.0 million from impact fees and special assessments, and \$0.2 million from general government, public safety and recreation grants.

Table 3

Governmental Activities

	(In thousands)			
	<u>Total Cost of Service</u>		<u>Net Cost of Service</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Public safety	\$ 25,634	24,409	21,993	19,689
Physical and economic environment	2,926	2,588	(528)	(157)
Transportation	3,520	3,395	2,980	1,217
Cultural and recreation	7,733	8,584	6,794	7,580
All others	7,703	8,972	6,649	7,489
Totals	\$ <u>47,516</u>	<u>47,948</u>	<u>37,888</u>	<u>35,818</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) totaled \$44.9 million.

The Water and Sewer fund represents 76% of the business-type activities' net assets. Total Water and Sewer operating revenues and operating expenses were up \$2,919,654 and \$1,326,277 respectively, from last year. Interest income from all Business-type activities showed a 32% decrease over the prior year, due to the overall declining investment market.

Based on a rate study City Council increased Water rates 12.74%. City Code allows for Solid Waste and Stormwater Fees to be adjusted automatically, based on the Consumer Price Index. Sewer fees are adjusted by the Public Service Commission Deflator Index. These small annual increases (2.39% and 3.90%, respectively) prevent major rate jumps in any single year.

Financial Analysis of the City's Funds

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

Governmental funds. The fund financial statements for the governmental funds are shown on pages 20-29. The focus of the City of Naples's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Naples' financing requirements.

In particular, unreserved fund balance may serve as a useful measurement of a government's net resources for spending at the end of the fiscal year. As of September 30, 2009, the City's governmental funds reported combined ending fund balances of \$41.868 million, an increase of \$3.347 million in comparison with the prior year. Approximately 81.5% of this total (or \$34.108 million) constitutes unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has been already committed to 1) liquidate encumbrances of the prior period (\$0.869 million), 2) meet reserve requirements for debt service in accordance with bond covenants (\$1.420 million), 3) pay for a City-wide emergency (\$3.953 million), 4) advances paid to other funds (\$0.713 million), and 5) a variety of other restricted purposes (\$.805 million).

The General Fund is the chief operating fund of the City of Naples. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$12.199 million, while the total fund balance was \$16.594 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 43.2% of the total fiscal year 2009 general fund expenditures, while total general fund balance represents 44.4% of that same amount.

General Fund expenditures were \$1,611,114 under budget. Most variances in general government areas were minor due to short periods of vacancies or minor cost under-runs in operating expenditures. There was one over-run in the Fire departments due to the payment of the State insurance premium tax receipt of \$298,354 and other personnel costs. This amount was \$398,465.

Offsetting that budgetary over-run is the cost under-run in the City Attorney Office, Community Services and Non-departmental areas. The City Attorney was \$232,301 under budget. Community Services expended \$875,276 less than the budgeted amount, primarily due to median maintenance supplies and professional services that were \$605,920 under budget.

The City used \$176,939 of prior year reserves to fund prior year end commitments of \$74,654 and a FEMA flood study of \$102,282.

The fund balance of the City's General Fund increased by \$1.284 million during the fiscal year. The budget was developed as a balanced budget, with revenues equal expenditures, therefore factors in this incline are primarily due to expenditures less than budget, as described above.

The Debt Service Fund has a total fund balance of \$2.703 million of which \$1.420 million is reserved for the payment of debt service and \$1.283 million is unreserved, undesignated. The net increase in fund balance during the current year in the Debt Service Fund was \$237,806. Taxes received in this fund first pay for the general government debt and then the balance is used to provide funds for general government capital projects. This year the amount transferred to capital projects was \$1,393,400.

The Capital Projects fund has a total fund balance of \$6.046 million of which \$0.906 million is reserves or designated for prior year encumbrances, advances to other funds and other purposes. The remaining \$5.140 million represents undesignated unreserved balance. The net decrease in fund balance during the year in the capital projects fund was \$0.738 million, which was used to fund prior year projects that were completed in the current year.

The fund balance in the Community Redevelopment fund increased \$3.464 million in 2009 with an ending fund balance of \$3.192 million. The key factor was the issuance of a note to fund the construction of a parking garage.

The fund balance in the Streets and Traffic fund decreased \$465,646 in 2009 with an ending fund balance of \$4.441 million. The key factor was the funding of prior year commitments in the amount of \$930,166. City Council also transferred in \$500,000 for the annual overlay program.

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

Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to \$15.745 million in the Water and Sewer Fund, \$4.941 million in the Solid Waste Fund, \$4.037 million in the Stormwater Fund, \$959 thousand in the Naples Beach Fund, \$6 thousand in the City Dock Fund and \$243 thousand in the Tennis Fund. Other factors concerning these finances have already been addressed in the discussion of the City's of Naples business-type activities.

General Fund Budgetary Highlights

The difference between the General Fund's original appropriations and the final amended budget was \$1,969,356. Of this change, \$188,622 was a decrease to general government services, \$1,821,477 was allocated to public safety, \$72,033 to physical and economic environment, \$79,292 to culture and recreation and a \$185,176 transfer to the city dock.

The funding sources of the budget increases were \$1,717,778 in insurance premium tax for Police and Fire pensions, \$74,642 in grants and \$176,936 in available fund balance.

Capital Assets and Debt Administration

Capital Assets

The City as of year-end had \$169.8 million invested in a variety of capital assets, as reflected in the following table. The City has been recording infrastructure, including streets, sidewalks, bridges, lighting and storm drainage, as a separate asset since 1980.

Table 4
Capital Assets at Year-End

	(In thousands)					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 11,826	11,826	3,112	3,112	14,938	14,938
Buildings	37,142	28,664	61,296	59,898	98,438	88,562
Improvements other than buildings	30,442	28,487	30,516	29,863	60,958	58,350
Infrastructure	30,987	30,515	80,180	75,848	111,167	106,363
Machinery and equipment	16,028	16,582	15,395	16,272	31,423	32,854
Construction in progress	149	5,116	2,774	1,627	2,923	6,743
Less accumulated depreciation	(55,095)	(51,016)	(94,995)	(91,073)	(150,090)	(142,089)
Totals	\$ 71,479	70,174	98,278	95,547	169,757	165,721

This year's major additions are:

Governmental activities:

Police vehicles	\$ 331,970
Parking garage	8,446,559
Citywide street improvements	1,173,821

Business-type activities:

Cove pump station stormwater improvements	\$ 1,802,731
RDP building enhancements	1,033,448
Water treatment plant security	1,054,412
Basin V stormwater improvement	955,980
Stormwater drainage improvements	478,130

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

Debt Outstanding

As of year-end, the City had \$55,608,589 in debt (bonds, notes, etc.) outstanding compared to \$52,473,325 in 2008, a \$3,135,264 (5.97%) increase.

Table 3
Outstanding Debt at Year-end

	<u>2009</u>	<u>2008</u>
Governmental:		
General obligation	\$ 3,170,000	3,615,000
Public service tax revenue	8,405,000	8,895,000
Redevelopment	11,113,000	4,815,000
Unamortized issuance discount	(77,622)	(85,473)
Subtotal	<u>22,610,378</u>	<u>17,239,527</u>
Business-type:		
Water/Wastewater revenue	14,561,785	15,121,264
State revolving loan - Wastewater	15,559,471	17,012,939
State revolving loan - Stormwater	2,557,149	2,731,467
Public service tax - Tennis	350,000	400,000
Unamortized issuance discount	(30,194)	(31,872)
Subtotal	<u>32,998,211</u>	<u>35,233,798</u>
Total	<u>\$ 55,608,589</u>	<u>52,473,325</u>

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

Economic Factors and Next Year Budget and Rates

In September 2009, the City Council approved a \$110.9 million budget for fiscal year 2009-10, which is approximately an 8% decrease from the prior year's budget. The budget for fiscal year 09-10 was developed with an emphasis on:

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

The City of Naples' 2009-10 budget was balanced using a millage rate less than the roll back millage rate, despite the property tax reform bills passed by the Florida legislature. The rollback rate, which is the rate that would bring in the same amount of tax as the prior year, was calculated to be 1.2112. Therefore, even though the millage rate increased from 1.1315 for fiscal year 08-09 to 1.1800 for fiscal year 09-10, it was not considered to be a tax increase. Increased costs included pensions and continued increases in the costs of fuel, utilities and chemicals. However, these were offset by the reduction in force, with 18 positions eliminated in the General Fund, and 30 positions eliminated city-wide.

Property taxes are the largest source of revenue to the General Fund, providing 50% of the revenue to that fund.

The following economic factors were considered in developing the budget for fiscal year 2009-10:

- Taxable values of \$16,383,741,720 decreased 5.3% compared to the prior year.
- The budget includes a Water and Sewer Utility rate increase of 12.74%.
- Personnel costs make up a significant portion of City operating costs. For 2009-10, wage concessions or benefit reductions were negotiated to reduce city costs.
- Health insurance expenses are budgeted to decrease by \$574,961 or 11%.
- Pension expenses are projected to increase approximately 16% for police contributions and 50% for fire contributions.
- There was a net decrease of 30 positions citywide for the 2009-10 budget.
- Continued low levels of building permit activity.
- The continued slowdown of the economic market impacting property value, investment income, sales tax and fuel tax are all projected to be lower than the 2008-09 fiscal year.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF NAPLES, FLORIDA

Statement of Net Assets

September 30, 2009

Assets	Primary Government		
	Governmental activities	Business-type activities	Total
Cash and investments	\$ 48,359,107	21,859,603	70,218,710
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	543,971	8,918,646	9,462,617
Special assessments	319,322	145,434	464,756
Utility taxes	219,033	-	219,033
Miscellaneous	5,013	735	5,748
Accrued interest	197,572	63,728	261,300
Internal balances	(14,449)	14,449	-
Due from other governments	1,157,660	115,188	1,272,848
Inventories	163,482	1,256,007	1,419,489
Prepaid items	13,650	-	13,650
Restricted assets:			
Cash and investments	1,547,072	4,178,383	5,725,455
Net pension assets	2,797,402	-	2,797,402
Deferred charges	157,818	97,543	255,361
Capital assets:			
Land and land improvements	11,826,200	3,111,902	14,938,102
Buildings and utility plants	37,141,750	61,296,630	98,438,380
Improvements other than buildings	30,441,462	30,516,299	60,957,761
Infrastructure	30,986,816	80,179,841	111,166,657
Equipment	16,028,017	15,394,550	31,422,567
Accumulated depreciation	(55,095,242)	(94,994,922)	(150,090,164)
Construction in progress	149,596	2,773,708	2,923,304
Net capital assets	71,478,599	98,278,008	169,756,607
Total assets	\$ 126,945,252	134,927,724	261,872,976

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

September 30, 2009

Liabilities	Primary Government		
	Governmental activities	Business-type activities	Total
Accounts payable and other current liabilities	\$ 3,286,256	3,876,121	7,162,377
Due to other governments	8,550	964,204	972,754
Unearned revenue	276,333	1,848,525	2,124,858
Customer deposits	11,868	18,497	30,365
Accrued interest	11,312	-	11,312
Liabilities payable from restricted assets:			
Customer deposits	-	331,330	331,330
Current maturities of long-term debt	386,417	861,834	1,248,251
Accrued interest payable	176,905	291,381	468,286
Noncurrent liabilities:			
Revenue bonds payable, net of unamortized discounts and premiums:			
Due within one year	1,217,732	1,440,540	2,658,272
Due in more than one year	21,006,229	30,695,837	51,702,066
Compensated absences:			
Due within one year	415,586	108,728	524,314
Due in more than one year	1,723,276	543,003	2,266,279
Other post employment benefits	107,284	42,309	149,593
Claims payable:			
Due within one year	963,000	-	963,000
Due in more than one year	1,940,000	-	1,940,000
Total noncurrent liabilities	27,373,107	32,830,417	60,203,524
Total liabilities	31,530,748	41,022,309	72,553,057
Net Assets			
Invested in capital assets, net of related debt	48,868,221	65,279,797	114,148,018
Restricted for:			
Debt service	983,750	1,428,868	2,412,618
Renewal and replacement	-	1,264,970	1,264,970
Net pension obligation	2,797,402	-	2,797,402
Unrestricted	42,765,131	25,931,780	68,696,911
Total net assets	\$ 95,414,504	93,905,415	189,319,919

CITY OF NAPLES, FLORIDA

Statement of Activities

Year ended September 30, 2009

	<u>Expenses</u>	<u>Indirect expenses allocation</u>	<u>Charges for services</u>
Functions/programs:			
Governmental activities:			
General government	\$ 10,168,900	(3,500,388)	1,043,665
Public safety	25,175,955	457,954	3,571,827
Physical and economic environment	2,712,846	213,056	12,397
Transportation	3,383,363	137,000	-
Culture and recreation	7,733,570	-	819,228
Interest	1,033,650	-	-
Total governmental activities	<u>50,208,284</u>	<u>(2,692,378)</u>	<u>5,447,117</u>
Business-type activities:			
Water and sewer	22,927,356	1,888,950	28,219,062
Solid waste	5,212,931	289,000	6,294,650
Stormwater	1,957,938	131,000	4,467,178
Beach	1,548,520	207,000	1,071,798
Dock	1,105,508	144,428	1,078,547
Tennis	467,737	32,000	548,984
Total business-type activities	<u>33,219,990</u>	<u>2,692,378</u>	<u>41,680,219</u>
Total primary government	<u>\$ 83,428,274</u>	<u>-</u>	<u>47,127,336</u>
General revenues:			
Property taxes			
Local communications and utility taxes			
Insurance premium tax			
Motor fuel taxes			
Business tax			
Franchise fees			
Intergovernmental revenues – unrestricted			
Unrestricted investment earnings			
Miscellaneous revenues			
Gain on sale of capital assets			
Transfers			
Total general revenues and transfers			

See accompanying notes to financial statements.

Program revenues		Net (expense) revenue and change in net assets		
Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals
9,860	-	(5,614,987)	-	(5,614,987)
49,462	19,703	(21,992,917)	-	(21,992,917)
2,687,919	753,640	528,054	-	528,054
140,464	399,856	(2,980,043)	-	(2,980,043)
91,063	29,297	(6,793,982)	-	(6,793,982)
-	-	(1,033,650)	-	(1,033,650)
<u>2,978,768</u>	<u>1,202,496</u>	<u>(37,887,525)</u>	<u>-</u>	<u>(37,887,525)</u>
-	422,104		3,824,860	3,824,860
-	-		792,719	792,719
-	1,482,237		3,860,477	3,860,477
501,525	152,760		(29,437)	(29,437)
-	-		(171,389)	(171,389)
-	-		49,247	49,247
<u>501,525</u>	<u>2,057,101</u>	<u>-</u>	<u>8,326,477</u>	<u>8,326,477</u>
<u>3,480,293</u>	<u>3,259,597</u>	<u>(37,887,525)</u>	<u>8,326,477</u>	<u>(29,561,048)</u>
		19,729,516	-	19,729,516
		4,476,921	-	4,476,921
		2,016,132	-	2,016,132
		1,393,025	-	1,393,025
		247,021	-	247,021
		3,971,657	-	3,971,657
		2,863,565	-	2,863,565
		1,345,826	566,730	1,912,556
		17,461	-	17,461
		88,496	136,219	224,715
		<u>1,983,370</u>	<u>(1,983,370)</u>	<u>-</u>
		<u>38,132,990</u>	<u>(1,280,421)</u>	<u>36,852,569</u>
Change in net assets		245,465	7,046,056	7,291,521
Net assets – beginning		<u>95,169,039</u>	<u>86,859,359</u>	<u>182,028,398</u>
Net assets – ending	\$	<u>95,414,504</u>	<u>93,905,415</u>	<u>189,319,919</u>

CITY OF NAPLES, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2009

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>
Assets:			
Cash and investments	\$ 17,059,421	2,530,024	5,993,536
Receivables (net, where applicable, of allowance for uncollectible):			
Accounts	523,682	-	-
Special assessments	-	-	319,322
Utility taxes	-	219,033	-
Accrued interest	86,547	1	24,615
Due from other funds	31,501	-	-
Advances due from other funds	322,203	-	217,091
Due from other governments	969,773	24	31,250
Inventories	-	-	-
Prepaid items	13,650	-	-
Total assets	\$ 19,006,777	2,749,082	6,585,814
Liabilities:			
Accounts payable	\$ 896,403	46,337	220,271
Accrued payroll	1,237,636	-	-
Due to other governments	8,550	-	-
Due to other funds	-	-	-
Advances payable to other funds	-	-	-
Deferred revenue	270,086	-	319,322
Customer deposits	-	-	-
Total liabilities	2,412,675	46,337	539,593
Fund balances:			
Reserved:			
Encumbrances	106,259	-	506,320
Advances	322,203	-	217,091
Inventories	-	-	-
Prepaid items	13,650	-	-
Debt service	-	1,420,125	-
Unreserved, designated:			
Reported in general fund	3,952,767	-	-
Reported in special revenue funds	-	-	-
Reported in capital projects funds	-	-	182,843
Unreserved, undesignated:			
Reported in general fund	12,199,223	-	-
Reported in debt service fund	-	1,282,620	-
Reported in special revenue funds	-	-	-
Reported in capital projects funds	-	-	5,139,967
Total fund balances	16,594,102	2,702,745	6,046,221
Total liabilities and fund balances	\$ 19,006,777	2,749,082	6,585,814

See accompanying notes to financial statements.

<u>Community redevelopment</u>	<u>Streets and traffic</u>	<u>Other nonmajor governmental</u>	<u>Total</u>
3,985,528	4,437,323	9,041,062	43,046,894
-	16,669	3,620	543,971
-	-	-	319,322
-	-	-	219,033
22,635	15,241	29,529	178,568
-	-	-	31,501
-	174,189	-	713,483
-	109,137	40,731	1,150,915
-	21,248	-	21,248
-	-	-	13,650
<u>4,008,163</u>	<u>4,773,807</u>	<u>9,114,942</u>	<u>46,238,585</u>
58,920	302,097	98,027	1,622,055
28,987	30,991	78,483	1,376,097
-	-	-	8,550
-	-	31,501	31,501
727,932	-	-	727,932
-	-	3,620	593,028
-	-	11,868	11,868
<u>815,839</u>	<u>333,088</u>	<u>223,499</u>	<u>4,371,031</u>
-	187,015	69,619	869,213
-	174,189	-	713,483
-	21,248	-	21,248
-	-	-	13,650
-	-	-	1,420,125
-	-	-	3,952,767
-	-	186,266	186,266
-	-	400,322	583,165
-	-	-	12,199,223
-	-	-	1,282,620
-	-	4,900,638	4,900,638
3,192,324	4,058,267	3,334,598	15,725,156
<u>3,192,324</u>	<u>4,440,719</u>	<u>8,891,443</u>	<u>41,867,554</u>
<u>4,008,163</u>	<u>4,773,807</u>	<u>9,114,942</u>	<u>46,238,585</u>

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CITY OF NAPLES, FLORIDA

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

September 30, 2009

Total fund balances governmental funds (page 21)	\$ 41,867,554
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Total capital assets (\$71,478,599) less amounts included in the internal service funds (\$1,074,159).	70,404,440
Accrued long term debt interest expense is not a financial use and, therefore, is not reported in the funds.	(188,217)
Long term liabilities, including bonds payable, compensated absences, and other post-employment benefits are not due and payable in the current period and, therefore are not reported in the funds. Total long term liabilities (\$27,759,524) less amounts reported in the internal service funds (\$3,060,003).	(24,699,521)
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements	319,322
Certain long term assets are not available to pay for current period expenditures and, therefore are not recorded in the funds	2,955,220
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurance and information services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets	<u>4,755,706</u>
Net assets of governmental activities (page 17)	\$ <u><u>95,414,504</u></u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2009

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>
Revenues:			
Taxes	\$ 22,277,458	3,135,961	-
Permits, fees, and assessments	4,037,767	-	415,228
Intergovernmental	3,162,051	-	13,130
Charges for services	1,748,867	-	-
Charges to other funds	4,093,450	-	-
Fines and forfeitures	302,233	-	-
Interest	509,278	18,344	266,983
Donations	-	-	-
Miscellaneous	11,406	-	-
	<u>36,142,510</u>	<u>3,154,305</u>	<u>695,341</u>
Expenditures:			
Current:			
General government	9,429,104	116,761	131,250
Public safety	21,546,330	-	-
Physical and economic environment	417,337	-	-
Transportation	-	-	-
Culture and recreation	5,973,033	-	-
Capital outlay:			
General government	-	-	517,503
Public safety	-	-	565,664
Physical and economic environment	12,408	-	54,430
Transportation	-	-	40,088
Culture and recreation	26,900	-	387,641
Debt service:			
Principal	-	1,497,000	-
Interest and fiscal charges	-	1,029,902	-
	<u>37,405,112</u>	<u>2,643,663</u>	<u>1,696,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,262,602)</u>	<u>510,642</u>	<u>(1,001,235)</u>
Other financing sources (uses):			
Transfers in	2,838,546	1,065,436	1,393,400
Transfers out	(297,214)	(8,198,272)	(1,258,043)
Debt issued	-	6,860,000	-
Proceeds from sale of capital assets	5,330	-	127,694
	<u>2,546,662</u>	<u>(272,836)</u>	<u>263,051</u>
Change in fund balances	1,284,060	237,806	(738,184)
Fund balances – beginning of year	15,310,042	2,464,939	6,784,405
Fund balances – end of year	<u>\$ 16,594,102</u>	<u>2,702,745</u>	<u>6,046,221</u>

See accompanying notes to financial statements.

<u>Community redevelopment</u>	<u>Streets and traffic</u>	<u>Other nonmajor governmental</u>	<u>Total</u>
778,951	1,393,025	277,220	27,862,615
-	200,000	2,203,065	6,856,060
2,186,571	376,014	118,691	5,856,457
-	-	271,522	2,020,389
-	-	-	4,093,450
-	-	35,804	338,037
130,095	101,228	190,296	1,216,224
-	-	83,101	83,101
1,672	96,568	6,055	115,701
<u>3,097,289</u>	<u>2,166,835</u>	<u>3,185,754</u>	<u>48,442,034</u>
-	-	11,098	9,688,213
-	-	3,246,308	24,792,638
1,160,443	-	197,335	1,775,115
-	2,116,889	-	2,116,889
-	-	23,828	5,996,861
-	-	-	517,503
-	-	126,391	692,055
4,187,878	-	118,691	4,373,407
-	1,016,273	-	1,056,361
-	-	-	414,541
-	-	-	1,497,000
36,617	-	-	1,066,519
<u>5,384,938</u>	<u>3,133,162</u>	<u>3,723,651</u>	<u>53,987,102</u>
<u>(2,287,649)</u>	<u>(966,327)</u>	<u>(537,897)</u>	<u>(5,545,068)</u>
6,816,910	500,000	100,000	12,714,292
(1,065,436)	-	-	(10,818,965)
-	-	-	6,860,000
-	681	2,599	136,304
<u>5,751,474</u>	<u>500,681</u>	<u>102,599</u>	<u>8,891,631</u>
3,463,825	(465,646)	(435,298)	3,346,563
(271,501)	4,906,365	9,326,741	38,520,991
<u>3,192,324</u>	<u>4,440,719</u>	<u>8,891,443</u>	<u>41,867,554</u>

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CITY OF NAPLES, FLORIDA

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

Year ended September 30, 2009

Net Changes in Fund Balances – total governmental funds (page 25)	\$ 3,346,563
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 (\$7,053,867) exceeded depreciation (\$5,710,890) in the current period	1,342,977
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	(41,451)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments	(5,307,872)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds	319,322
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	(227,627)
Increases in the net pension asset in the statement of activities do not provide current financial resources and therefore are not reported in governmental funds	777,092
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurances and information systems. The net revenue (expense) of the internal service funds is reported with governmental activities	<u>36,461</u>
Change in net assets of governmental activities (page 19)	<u>\$ 245,465</u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

General Fund

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

Year ended September 30, 2009

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Ad valorem	\$ 17,822,155	17,822,155	18,093,093	270,938
Local communication and business	1,883,918	1,883,918	2,168,233	284,315
Insurance premium tax	-	1,717,778	2,016,132	298,354
Permits, fees, and assessments	3,999,900	3,999,900	4,037,767	37,867
Intergovernmental	3,505,543	3,580,185	3,162,051	(418,134)
Charges for services	1,783,110	1,783,110	1,748,867	(34,243)
Charges to other funds	4,087,244	4,087,244	4,093,450	6,206
Fines and forfeitures	369,000	369,000	302,233	(66,767)
Interest	310,000	310,000	509,278	199,278
Miscellaneous	40,000	40,000	11,406	(28,594)
Total revenues	<u>33,800,870</u>	<u>35,593,290</u>	<u>36,142,510</u>	<u>549,220</u>
Expenditures:				
Current:				
General government:				
Mayor and City Council	377,771	377,771	361,180	16,591
City Attorney	689,951	689,951	457,650	232,301
City Clerk	693,227	693,227	610,503	82,724
City Manager	662,426	789,098	743,545	45,553
Human resources	655,143	655,143	632,119	23,024
Planning	596,498	596,498	544,677	51,821
Finance	1,895,673	1,895,673	1,829,513	66,160
Nondepartmental	4,909,200	4,592,017	4,249,917	342,100
Total general government	<u>10,479,889</u>	<u>10,289,378</u>	<u>9,429,104</u>	<u>860,274</u>
Public safety:				
Fire	7,714,067	8,808,565	9,207,030	(398,465)
Police	11,800,251	12,521,021	12,339,300	181,721
Total public safety	<u>19,514,318</u>	<u>21,329,586</u>	<u>21,546,330</u>	<u>(216,744)</u>
Physical and economic environment:				
Natural resources	441,922	444,100	417,337	26,763
Total physical and economic environment	<u>441,922</u>	<u>444,100</u>	<u>417,337</u>	<u>26,763</u>
Culture and recreation:				
Community services	6,795,917	6,848,309	5,973,033	875,276
Total culture and recreation	<u>6,795,917</u>	<u>6,848,309</u>	<u>5,973,033</u>	<u>875,276</u>

CITY OF NAPLES, FLORIDA

General Fund

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

Year ended September 30, 2009

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Capital outlay:				
Public safety:				
Police	-	6,209	-	6,209
Physical and economic development	-	69,855	12,408	57,447
Nondepartmental	-	1,889	-	1,889
Culture and recreation:				
Community services	-	26,900	26,900	-
Total capital outlay	-	104,853	39,308	65,545
Total expenditures	<u>37,232,046</u>	<u>39,016,226</u>	<u>37,405,112</u>	<u>1,611,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,431,176)</u>	<u>(3,422,936)</u>	<u>(1,262,602)</u>	<u>2,160,334</u>
Other financing sources (uses):				
Transfers in	2,962,764	2,962,764	2,838,546	(124,218)
Transfers out	(112,038)	(297,214)	(297,214)	-
Proceeds - sale of fixed assets	-	-	5,330	5,330
Total other financing sources (uses)	<u>2,850,726</u>	<u>2,665,550</u>	<u>2,546,662</u>	<u>(118,888)</u>
Change in fund balances	<u>(580,450)</u>	<u>(757,386)</u>	<u>1,284,060</u>	<u>2,041,446</u>
Fund balances – beginning of year	<u>15,310,042</u>	<u>15,310,042</u>	<u>15,310,042</u>	-
Fund balances – end of year	<u>\$ 14,729,592</u>	<u>14,552,656</u>	<u>16,594,102</u>	<u>2,041,446</u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2009

Assets	Business-type activities – Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current assets:			
Cash and investments	\$ 11,423,023	4,147,266	4,949,688
Restricted cash and investments	3,956,818	-	205,150
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	6,658,671	1,290,005	883,149
Special assessments	145,434	-	-
Miscellaneous	-	-	-
Accrued interest	41,283	13,186	6,420
Advances due from other funds	-	-	14,449
Due from other governments	-	-	14,606
Inventories	1,234,385	-	-
Total current assets	23,459,614	5,450,457	6,073,462
Capital assets:			
Land	1,731,983	1,145,053	234,866
Buildings and utility plants	58,853,469	528,790	-
Improvements other than buildings	22,696,967	1,012,526	-
Infrastructure	65,580,562	-	14,599,279
Equipment	11,131,421	2,865,475	301,056
Accumulated depreciation	(79,511,697)	(2,311,460)	(5,612,519)
Construction in progress	2,717,799	-	55,909
Net capital assets	83,200,504	3,240,384	9,578,591
Unamortized issuance cost	95,870	-	-
Total noncurrent assets	83,296,374	3,240,384	9,578,591
Total assets	106,755,988	8,690,841	15,652,053

See accompanying notes to financial statements.

Nonmajor Funds	Total	Governmental activities – Internal Service Funds
1,339,626	21,859,603	6,859,285
16,415	4,178,383	-
86,821	8,918,646	-
-	145,434	-
735	735	5,013
2,839	63,728	19,004
-	14,449	-
100,582	115,188	6,745
21,622	1,256,007	142,234
<u>1,568,640</u>	<u>36,552,173</u>	<u>7,032,281</u>
-	3,111,902	-
1,914,371	61,296,630	831,246
6,806,806	30,516,299	-
-	80,179,841	-
1,096,598	15,394,550	1,980,172
(7,559,246)	(94,994,922)	(1,737,259)
-	2,773,708	-
<u>2,258,529</u>	<u>98,278,008</u>	<u>1,074,159</u>
1,673	97,543	-
<u>2,260,202</u>	<u>98,375,551</u>	<u>1,074,159</u>
<u>3,828,842</u>	<u>134,927,724</u>	<u>8,106,440</u>

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2009

	<u>Business-type activities – Enterprise Funds</u>		
Liabilities	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>
Current liabilities:			
Accounts payable	\$ 2,049,924	287,740	928,784
Accrued payroll and personal leave	318,567	87,048	27,157
Due to other governments	964,204	-	-
Deferred revenue	877,292	-	879,619
Customer deposits	-	-	-
Current portion of compensated absences	55,000	40,000	4,500
Current maturities of long-term debt	1,282,829	-	120,211
Insurance claims payable	-	-	-
Total payable from current assets	<u>5,547,816</u>	<u>414,788</u>	<u>1,960,271</u>
Current liabilities (payable from restricted assets):			
Customer deposits	331,330	-	-
Current maturities of long-term debt	789,904	-	59,430
Accrued interest payable	261,639	-	25,827
Total payable from restricted assets	<u>1,382,873</u>	<u>-</u>	<u>85,257</u>
Total current liabilities	<u>6,930,689</u>	<u>414,788</u>	<u>2,045,528</u>
Noncurrent liabilities:			
Due in more than one year:			
Revenue bonds payable, net of unamortized discounts and premiums	28,018,329	-	2,377,508
Compensated absences	349,613	87,764	48,406
Other post-employment benefits	28,731	7,243	2,115
Insurance claims payable	-	-	-
Total noncurrent liabilities	<u>28,396,673</u>	<u>95,007</u>	<u>2,428,029</u>
Total liabilities	<u>35,327,362</u>	<u>509,795</u>	<u>4,473,557</u>
Net Assets			
Invested in capital assets, net of related debt	53,109,442	3,240,384	7,021,442
Restricted for debt service	1,308,975	-	119,893
Restricted for renewal and replacement	1,264,970	-	-
Unrestricted	15,745,239	4,940,662	4,037,161
Net assets of business-type activities	<u>\$ 71,428,626</u>	<u>8,181,046</u>	<u>11,178,496</u>

See accompanying notes to financial statements.

<u>Nonmajor funds</u>	<u>Total</u>	<u>Governmental activities – Internal Service Funds</u>
131,497	3,397,945	199,512
45,404	478,176	88,592
-	964,204	-
91,614	1,848,525	2,627
18,497	18,497	-
9,228	108,728	15,586
37,500	1,440,540	-
-	-	963,000
<u>333,740</u>	<u>8,256,615</u>	<u>1,269,317</u>
-	331,330	-
12,500	861,834	-
3,915	291,381	-
<u>16,415</u>	<u>1,484,545</u>	<u>-</u>
<u>350,155</u>	<u>9,741,160</u>	<u>1,269,317</u>
300,000	30,695,837	-
57,220	543,003	135,720
4,220	42,309	5,697
-	-	1,940,000
<u>361,440</u>	<u>31,281,149</u>	<u>2,081,417</u>
<u>711,595</u>	<u>41,022,309</u>	<u>3,350,734</u>
1,908,529	65,279,797	1,074,159
-	1,428,868	-
-	1,264,970	-
<u>1,208,718</u>	<u>25,931,780</u>	<u>3,681,547</u>
<u><u>3,117,247</u></u>	<u><u>93,905,415</u></u>	<u><u>4,755,706</u></u>

CITY OF NAPLES, FLORIDA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended September 30, 2009

	<u>Business-type activities – Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>
Operating revenues:			
Charges for services:			
Water revenues	\$ 15,479,501	-	-
Sewer revenues	12,739,561	-	-
Other	-	6,294,650	4,467,178
Total operating revenues	<u>28,219,062</u>	<u>6,294,650</u>	<u>4,467,178</u>
Operating expenses:			
Personal services	6,745,711	1,749,966	549,536
Supplies and services	4,356,898	2,955,605	206,129
Materials	2,367,742	-	-
Utilities	2,550,427	17,581	17,229
Depreciation and amortization	5,801,032	422,671	1,073,592
General administration	1,888,950	289,000	131,000
Other	86,051	67,108	31,760
Total operating expenses	<u>23,796,811</u>	<u>5,501,931</u>	<u>2,009,246</u>
Operating income (loss)	<u>4,422,251</u>	<u>792,719</u>	<u>2,457,932</u>
Nonoperating revenues (expenses):			
Operating grants	-	-	-
Interest income	376,023	82,601	84,599
Interest expense	(1,019,495)	-	(79,692)
Gain (loss) on sale of capital assets	(980)	121,199	-
Total nonoperating revenues (expenses)	<u>(644,452)</u>	<u>203,800</u>	<u>4,907</u>
Income (loss) before contributions and transfers	3,777,799	996,519	2,462,839
Capital contributions	422,104	-	1,482,237
Transfers in	-	-	-
Transfers out	(1,673,202)	(388,329)	-
Change in net assets	<u>2,526,701</u>	<u>608,190</u>	<u>3,945,076</u>
Net assets – beginning of year	<u>68,901,925</u>	<u>7,572,856</u>	<u>7,233,420</u>
Net assets – end of year	<u>\$ 71,428,626</u>	<u>8,181,046</u>	<u>11,178,496</u>

See accompanying notes to financial statements.

<u>Nonmajor funds</u>	<u>Totals</u>	<u>Governmental activities – Internal Service Funds</u>
-	15,479,501	-
-	12,739,561	-
2,699,329	13,461,157	13,441,546
<u>2,699,329</u>	<u>41,680,219</u>	<u>13,441,546</u>
1,169,193	10,214,406	1,865,123
1,071,001	8,589,633	10,301,139
-	2,367,742	773,379
154,546	2,739,783	29,478
616,181	7,913,476	298,828
383,428	2,692,378	339,413
102,516	287,435	9,013
<u>3,496,865</u>	<u>34,804,853</u>	<u>13,616,373</u>
<u>(797,536)</u>	<u>6,875,366</u>	<u>(174,827)</u>
501,525	501,525	-
23,507	566,730	129,602
(8,328)	(1,107,515)	-
16,000	136,219	(6,357)
<u>532,704</u>	<u>96,959</u>	<u>123,245</u>
<u>(264,832)</u>	<u>6,972,325</u>	<u>(51,582)</u>
152,760	2,057,101	-
185,176	185,176	88,043
<u>(107,015)</u>	<u>(2,168,546)</u>	<u>-</u>
<u>(33,911)</u>	<u>7,046,056</u>	<u>36,461</u>
<u>3,151,158</u>	<u>86,859,359</u>	<u>4,719,245</u>
<u><u>3,117,247</u></u>	<u><u>93,905,415</u></u>	<u><u>4,755,706</u></u>

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2009

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 28,342,400	6,195,497
Cash payments to suppliers	(10,848,051)	(3,168,911)
Cash payments to employees for services	(6,652,558)	(1,721,478)
Cash payments for interfund services	(1,888,950)	(289,000)
Net cash provided by operating activities	<u>8,952,841</u>	<u>1,016,108</u>
Cash flows from noncapital financing activities:		
Transfers	(1,673,202)	(388,329)
Loans/advances and repayments from (to) other funds	771	-
Operating grants	-	-
Net cash provided by (used in) noncapital financing activities	<u>(1,672,431)</u>	<u>(388,329)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(2,011,269)	-
Interest paid on long-term debt	(1,032,603)	-
Capital contributions	1,127,163	-
Proceeds from sale of capital assets	70,935	150,417
Acquisition and construction of capital assets	(6,770,063)	(218,111)
Net cash used in capital and related financing activities	<u>(8,615,837)</u>	<u>(67,694)</u>
Cash flows from investing activities:		
Interest and investment earnings	<u>392,327</u>	<u>97,120</u>
Net cash provided by investing activities	<u>392,327</u>	<u>97,120</u>
Net increase (decrease) in cash and cash equivalents	(943,100)	657,205
Cash and cash equivalents – beginning of year	<u>16,322,941</u>	<u>3,490,061</u>
Cash and cash equivalents – end of year	\$ <u><u>15,379,841</u></u>	\$ <u><u>4,147,266</u></u>

Stormwater Fund	Nonmajor Funds	Total	Governmental Activities – Internal Service Funds
4,422,459	2,685,899	41,646,255	13,573,732
(374,923)	(1,278,426)	(15,670,311)	(10,782,326)
(519,366)	(1,157,879)	(10,051,281)	(1,938,866)
(131,000)	(383,428)	(2,692,378)	(339,413)
<u>3,397,170</u>	<u>(133,834)</u>	<u>13,232,285</u>	<u>513,127</u>
-	78,161	(1,983,370)	88,043
13,568	-	14,339	-
-	687,582	687,582	-
<u>13,568</u>	<u>765,743</u>	<u>(1,281,449)</u>	<u>88,043</u>
(174,318)	(50,000)	(2,235,587)	-
(81,453)	(8,840)	(1,122,896)	-
2,969,425	152,760	4,249,348	-
-	16,000	237,352	311
<u>(2,825,881)</u>	<u>(240,645)</u>	<u>(10,054,700)</u>	<u>(308,853)</u>
<u>(112,227)</u>	<u>(130,725)</u>	<u>(8,926,483)</u>	<u>(308,542)</u>
<u>90,338</u>	<u>27,409</u>	<u>607,194</u>	<u>160,832</u>
<u>90,338</u>	<u>27,409</u>	<u>607,194</u>	<u>160,832</u>
3,388,849	528,593	3,631,547	453,460
1,765,989	827,448	22,406,439	6,405,825
<u>5,154,838</u>	<u>1,356,041</u>	<u>26,037,986</u>	<u>6,859,285</u>

(Continued)

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2009

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 4,422,251	792,719
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,801,032	422,671
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	152,928	(99,153)
Decrease in miscellaneous receivables	-	-
Decrease in due from other governments	-	-
(Increase) decrease in inventories	(121,744)	-
Increase (decrease) in accounts payable	(1,365,189)	(128,617)
Increase (decrease) in accrued payroll and personal leave	33,065	16,354
Increase (decrease) in due to other governments	(117,045)	-
Increase (decrease) in deferred revenue	32,660	-
(Increase) decrease in customer deposits	54,795	-
(Increase) decrease in insurance claims payable	-	-
(Increase) decrease in other post-employment benefits	28,731	7,243
(Increase) decrease in compensated absences payable	31,357	4,891
Net cash provided (used) by operating activities	<u>\$ 8,952,841</u>	<u>1,016,108</u>

See accompanying notes to financial statements.

Stormwater Fund	Nonmajor funds	Total	Governmental Activities – Internal Service Funds
2,457,932	(797,536)	6,875,366	(174,827)
1,073,592	616,181	7,913,476	298,828
(44,719)	(38,646)	(29,590)	-
-	-	-	133,120
-	(842)	(842)	(1,346)
-	13,347	(108,397)	(9,967)
(119,805)	36,290	(1,577,321)	(96,350)
5,592	(4,546)	50,465	(93,384)
-	-	(117,045)	-
-	35,653	68,313	412
-	(9,595)	45,200	-
-	-	-	437,000
2,115	4,220	42,309	5,697
22,463	11,640	70,351	13,944
<u>3,397,170</u>	<u>(133,834)</u>	<u>13,232,285</u>	<u>513,127</u>

CITY OF NAPLES, FLORIDA

Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2009

	Pension Trust Funds	Agency Funds
Assets:		
Cash and investments	\$ 4,909,968	8,358
Accounts receivable	298,354	-
Investments, at fair value:		
Corporate bonds	12,820,489	-
U.S. Government securities	7,170,425	-
Common stock	50,128,934	-
Mortgage-backed securities	5,908,421	-
Mutual funds	4,743,560	-
Total investments	<u>80,771,829</u>	<u>-</u>
Total assets	<u>85,980,151</u>	<u>8,358</u>
Liabilities:		
Accounts payable	<u>233,425</u>	<u>8,358</u>
Total liabilities	<u>233,425</u>	<u>8,358</u>
Net assets:		
Held in trust for pension benefits and other purposes	<u>\$ 85,746,726</u>	<u>-</u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended September 30, 2009

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employee contributions	\$ 1,804,874
Employer contributions	4,906,921
State contributions	2,016,132
Total contributions	<u>8,727,927</u>
Investment earnings:	
Interest and dividend income	2,488,361
Net appreciation in fair value of investments	242,490
Less investment expense	(356,897)
Net investment earnings	<u>2,373,954</u>
Total additions	<u>11,101,881</u>
Deductions:	
Benefits paid	4,677,228
Refunds of contributions	768,417
General administration	181,362
Total deductions	<u>5,627,007</u>
Change in net assets	5,474,874
Net assets – beginning of year	<u>80,271,852</u>
Net assets – end of year	<u><u>\$ 85,746,726</u></u>

See accompanying notes to financial statements.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

(I) Summary of Significant Accounting Policies and Practices

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

(A) Reporting Entity

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

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

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

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

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

(B) Government-Wide and Fund Financial Statements

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

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

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 tax, 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.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally the City reports the following fund types:

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

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

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

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

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.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

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

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

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

(D) Assets, Liabilities, and Net Assets

(1) Deposits and Investments

(a) Cash and Cash Equivalents

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

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

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 a fund balance reserve account, which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

(b) Short-Term Interfund Receivables/Payables

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

(3) Inventories

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

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

(4) Restricted Assets

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

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

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

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replacement is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

(5) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Buildings	10-50 years
Utility plants	40-50 years
Improvements other than buildings	5-20 years
Infrastructure	10-50 years
Equipment	3-10 years

(6) Compensated Absences

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

(7) Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are

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reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(8) Fund Equity

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

Designations of fund balances in governmental funds represent tentative plans for the use of financial resources in a future period. Such plans are subject to change and may never be legally authorized or result in expenditures. See Section (H) for detail of designated fund balance by Fund and purpose.

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

(9) Administrative Fees

Certain administrative expenses are incurred by the General Fund on behalf of other funds of the City. The General Fund collects for these services based on a percentage of operating costs and personnel costs. The related reimbursements for these services are recorded as either an operating expense in the proprietary funds or as an expenditure in the governmental funds. Such fees amounted to \$4,093,450 for fiscal year 2009, and included \$391,388 charged to internal service and fiduciary funds and \$551,730 charged to the debt service and capital projects funds.

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

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

The governmental funds balance sheet includes a reconciliation between *fund balances — total governmental funds and net assets — governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, 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 (\$24,699,521) difference are as follows:

Bonds payable	\$ (22,688,000)
Less issuance discounts (to be amortized as interest expense)	77,622
Other post employment benefits	(101,587)
Compensated absences	<u>(1,987,556)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	\$ <u><u>(24,699,521)</u></u>

Another element of that reconciliation explains that “certain long term assets are not available to pay for current period expenditures and, therefore, are not recorded in the funds.” The details of this \$2,955,220 difference are as follows:

Net pension assets	\$ 2,797,402
Unamortized bond issuance costs	<u>157,818</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$ <u><u>2,955,220</u></u>

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances — total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,342,977 difference are as follows:

Capital outlay	\$ 7,053,867
Depreciation expense, less internal service fund depreciation	<u>(5,710,890)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	\$ <u><u>1,342,977</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets.” The details of this (\$41,451) difference are as follows:

The statement of activities report losses arising from the trade-in or the disposal of existing capital assets. Conversely, governmental funds to not report any gain or loss on a trade-in or disposal of capital assets.	\$ <u>(41,451)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	\$ <u><u>(41,451)</u></u>

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Another element of that reconciliation states that “bond proceeds provide 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this (\$5,307,872) difference are as follows:

Debt issued or incurred:	
Bond proceeds	\$ (6,860,000)
less bond issuance costs	55,128
Principal repayments:	
General obligation debt	445,000
Revenue bonds debt	<u>1,052,000</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u><u>(5,307,872)</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$227,627 difference are as follows:

Compensated absences	\$ (86,050)
Other post employment benefits	(101,587)
Accrued interest	(14,408)
Amortization of issuance costs	(17,731)
Amortization of bond discounts	<u>(7,851)</u>
Net adjustment to decrease net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u><u>(227,627)</u></u>

(III) Stewardship, Compliance, and Accountability

(A) Budgetary Information

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

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

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

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

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

(B) Excess of Expenditures Over Appropriations

For the year ended September 30, 2009, expenditures exceeded appropriations as follows:

General Fund - Fire Department	\$ (398,465)
Capital Projects Fund - Finance	(3,229)

In the General fund, the overages were funded by sufficient unused appropriations within the fund and in the Capital Projects Fund the overage was funded by the West Naples Special Assessment.

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THE CITY OF NAPLES, FLORIDA

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Detailed Notes on All Funds

(A) *Cash and Investments*

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

Cash and Cash Equivalents

Cash Equivalents consist of money market accounts held by a bank that qualifies as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes in the amount of \$5,121,218 and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The City's investment in the Local Government Surplus Funds Trust Fund ("LGIP") Fund A, a Securities and Exchange Commission Rule 2a7-like external investment pool, in the amount of \$9,426 is reported at amortized cost and has a weighted average of 33 days to maturity as of September 30, 2009. Fund A is rated AAAM by Standard & Poors. The City's investment in the LGIP Fund B is accounted for as a fluctuating NAV pool. The fair value for the City's investment in the LGIP Fund B is \$287,601 with a weighted average life of 6.69 years as of September 30, 2009. Fund B is not rated by any nationally recognized statistical rating agency.

Investment Portfolios

Investment holdings consist of a \$64,620,906 Investment Portfolio and an \$80,771,829 Pension Portfolio. Both portfolios are reported at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

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

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

The City has a formal investment policy for the pension funds that allows for the following investments: Federal Instrumentalities, Collateralized Mortgage Obligations, Interest Bearing Time Deposit or Saving Accounts, Commercial Paper, Bankers' Acceptances, asset-backed securities

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Notes to Financial Statements

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(ABS), Real Estate Investment Trusts (REITs), Collateralized Mortgage Obligations (CMOs) and equity securities (including convertible bonds).

As of September 30, 2009, the City had the following investments and effective duration presented in terms of years:

Investment Portfolio

<u>Investment</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
United States Treasury Securities	\$ 42,165,303	0.54
Federal Agency Securities	21,195,372	0.78
Certificates of Deposit	1,260,231	1.00
Total	<u>\$ 64,620,906</u>	0.63

Interest receivable on the City's investment portfolio amounted to \$261,300 as of September 30, 2009.

Pension Portfolio

<u>Investment</u>	<u>Value</u>	<u>Duration</u>
United States Government Securities	\$ 6,461,184	
United States Agency Securities	709,241	
Corporate Bonds	12,820,489	
Corporate Stocks	50,128,934	
Asset Backed Securities	5,908,421	
Mutual Funds	4,743,560	
Total	<u>\$ 80,771,829</u>	3.83

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.

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THE CITY OF NAPLES, FLORIDA

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The City utilizes “effective duration” as a measurement of interest rate risk and as of September 30, 2009, the investment portfolio had an effective duration of 2.17 years. The chart below shows the City’s investments by investment portfolio and their respective duration.

Cash and Investment Accounts	Fair Value	Average Effective Duration
Cash	\$ 5,121,218	-
Money Market	10,823,340	-
Local Government Surplus Funds Trust Fund ("SBA")	297,027	0.09
Investment Portfolio	64,620,906	0.63
Pension Portfolio	80,771,829	3.83
Total	\$ <u>161,634,320</u>	2.17

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 or purchase, the short-term paper is rated, at a minimum, “P-1” by Moody’s Investors Services and “A-1” by Standard & Poor’s. Additionally, the bank shall not be listed with any recognized credit watch information service.

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

As of September 30, 2009, the City’s investment securities in the investment and pension portfolios, valued at \$89,260,010 were individually rated AAA by Standard & Poor’s and Aaa by Moody’s Investor Services.

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The City's cash balance of \$15,944,558 was deposited in a qualified public depository, as required by Chapter 280, Florida Statutes.

The City's investment in the Local Government Surplus Funds Trust Fund ("LGIP") Fund A in the amount of \$9,426 rated AAAM by Standard & Poors. The City's investment in the LGIP Fund B in the amount of \$287,601 is not rated by any nationally recognized statistical rating agency.

The portfolios also contain \$50,128,934 in equity securities, \$4,743,560 in mutual funds, and \$1,260,231 in certificates of deposit that are not rated.

Custodial Credit Risk

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

As of September 30, 2009, 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, 2009, the City's Investment Portfolio had the following issuer concentration based on fair value:

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<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Cash	\$ 5,121,218	6.74%
Money Market	5,913,372	7.79%
Local Government Surplus Funds Trust Fund ("SBA)	297,027	0.39%
United States Treasury Securities	42,165,303	55.52%
Federal Agency Securities	21,195,372	27.91%
Certificates of Deposit	1,260,231	1.66%
Total	\$ <u>75,952,523</u>	

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

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

As of September 30, 2009, the City's Pension Portfolio had the following issuer concentration based on fair value:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Money Market	\$ 4,909,968	5.73%
United States Government Securities	6,461,184	7.54%
United States Agency Securities	709,241	0.83%
Corporate Bonds	12,820,489	14.96%
Corporate Stocks	50,128,934	58.51%
Mortgage-backed Securities	5,908,421	6.90%
Mutual Funds	4,743,560	5.54%
Total	\$ <u>85,681,797</u>	

Foreign Currency Risk

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

(B) Property Taxes

The City's property tax is levied each November 1, on the assessed value for all property located within the City. Assessed values are established by the Collier County Property Appraiser at fair

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THE CITY OF NAPLES, FLORIDA

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values. At January 1, 2008, the assessed value of the principal taxing authority's property upon which the 2008-09 levy was based was \$17.2 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2009 was 1.1315 (\$1.1315 per \$1,000 of assessed value). The voted debt service millage was 0.0348 (\$0.0348 per \$1,000 of assessed value) to pay for the principal and interest on general obligation bonds issued to purchase a tract of land to be used as a nature preserve. The assessed values at January 1, 2008 of the dependent special districts, East Naples Bay and Moorings Bay, were \$537 million, and \$1,677 million, respectively. In addition to the City's millage rate and the voted debt service millage rate, 0.4702 (\$0.4702 per \$1,000 of assessed value) is added to the East Naples Bay dependent special district and 0.0220 (\$0.0220 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, 2009. Total ad valorem taxes collected for the year ended September 30, 2009, aggregated \$19,729,516, net of cash discounts, of which \$18,093,093 was designated for general government services, \$778,951 for the Community Redevelopment agency, \$241,843 for East Naples Bay Taxing District, \$35,377 for the Moorings Bay Taxing District and \$580,252 for debt service on the general obligation debt.

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

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

The property 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 2009 tax roll year, the assessment roll was opened for collection on November 1, 2008, and discounts for payment prior to April 1, 2009, were determined as follows:

Discounts allowed

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

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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 2009 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, 2009, for the City's individual major funds and for the total nonmajor funds were as follows:

	<u>Accounts receivable</u>	<u>Special assessments</u>	<u>Utility taxes</u>	<u>Due from other governments</u>	<u>Interest and other</u>	<u>Total</u>
Governmental activities:						
Major funds:						
General	\$ 523,682	-	-	969,773	86,547	1,580,002
Debt service	-	-	219,033	24	1	219,058
Capital projects	-	319,322	-	31,250	24,615	375,187
Community redevelopment	-	-	-	-	22,635	22,635
Streets and traffic	16,669	-	-	109,137	15,241	141,047
Nonmajor funds	3,620	-	-	40,731	29,529	73,880
Internal service	-	-	-	6,745	24,017	30,762
	<u>\$ 543,971</u>	<u>319,322</u>	<u>219,033</u>	<u>1,157,660</u>	<u>202,585</u>	<u>2,442,571</u>
Business type activities:						
Major funds:						
Water and sewer	\$ 6,658,671	145,434	-	-	41,283	6,845,388
Solid waste	1,290,005	-	-	-	13,186	1,303,191
Stormwater	883,149	-	-	14,606	6,420	904,175
Nonmajor funds	86,821	-	-	100,582	3,574	190,977
	<u>\$ 8,918,646</u>	<u>145,434</u>	<u>-</u>	<u>115,188</u>	<u>64,463</u>	<u>9,243,731</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, 2009 are as follows:

Water and Sewer Fund	\$ 38,943
Solid Waste Fund	<u>9,000</u>
Total	<u>\$ 47,943</u>

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(D) Capital Assets

Governmental Activities:

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2009, is as follows:

<u>Governmental activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated:				
Land	\$ 11,826,200	-	-	11,826,200
Construction in progress	5,116,013	4,160,493	(9,126,910)	149,596
Total capital assets not being depreciated	<u>16,942,213</u>	<u>4,160,493</u>	<u>(9,126,910)</u>	<u>11,975,796</u>
Capital assets being depreciated:				
Buildings	28,663,577	8,483,148	(4,975)	37,141,750
Improvements other than buildings	28,487,487	1,956,003	(2,028)	30,441,462
Infrastructure	30,514,991	471,825	-	30,986,816
Equipment	16,581,564	1,418,158	(1,971,705)	16,028,017
Total capital assets being depreciated	<u>104,247,619</u>	<u>12,329,134</u>	<u>(1,978,708)</u>	<u>114,598,045</u>
Less accumulated depreciation for:				
Buildings	(9,609,358)	(1,141,905)	3,980	(10,747,283)
Improvements other than buildings	(13,250,681)	(2,023,047)	921	(15,272,807)
Infrastructure	(17,365,644)	(1,130,716)	-	(18,496,360)
Equipment	(10,790,434)	(1,714,050)	1,925,692	(10,578,792)
Total accumulated depreciation	<u>(51,016,117)</u>	<u>(6,009,718)</u>	<u>1,930,593</u>	<u>(55,095,242)</u>
Total capital assets being depreciated, net	<u>53,231,502</u>	<u>6,319,416</u>	<u>(48,115)</u>	<u>59,502,803</u>
Total governmental capital assets, net	\$ <u>70,173,715</u>	<u>10,479,909</u>	<u>(9,175,025)</u>	<u>71,478,599</u>

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Business-Type Activities:

A summary of changes in capital assets of business-type activities for the year ended September 30, 2009, is as follows:

<u>Water and Sewer Fund</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated:				
Land	\$ 1,731,983	-	-	1,731,983
Construction in progress	1,500,970	2,574,459	(1,357,630)	2,717,799
Total capital assets not being depreciated	<u>3,232,953</u>	<u>2,574,459</u>	<u>(1,357,630)</u>	<u>4,449,782</u>
Capital assets being depreciated:				
Buildings and utility plants	57,455,184	1,398,285	-	58,853,469
Improvements other than buildings	22,155,538	2,032,155	(1,490,726)	22,696,967
Infrastructure	64,829,629	956,229	(205,296)	65,580,562
Equipment	11,821,657	1,166,564	(1,856,800)	11,131,421
Total capital assets being depreciated	<u>156,262,008</u>	<u>5,553,233</u>	<u>(3,552,822)</u>	<u>158,262,419</u>
Less accumulated depreciation for:				
Buildings	(21,767,004)	(1,329,166)	-	(23,096,170)
Improvements other than buildings	(11,903,336)	(2,081,855)	1,490,726	(12,494,465)
Infrastructure	(33,900,892)	(1,418,127)	133,381	(35,185,638)
Equipment	(9,625,666)	(966,558)	1,856,800	(8,735,424)
Total accumulated depreciation	<u>(77,196,898)</u>	<u>(5,795,706)</u>	<u>3,480,907</u>	<u>(79,511,697)</u>
Total capital assets being depreciated, net	<u>79,065,110</u>	<u>(242,473)</u>	<u>(71,915)</u>	<u>78,750,722</u>
Water and sewer fund capital assets, net	<u>\$ 82,298,063</u>	<u>2,331,986</u>	<u>(1,429,545)</u>	<u>83,200,504</u>

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Solid Waste Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 1,145,053	-	-	1,145,053
Total capital assets not being depreciated	<u>1,145,053</u>	<u>-</u>	<u>-</u>	<u>1,145,053</u>
Capital assets being depreciated:				
Buildings and utility plants	528,790	-	-	528,790
Improvements other than buildings	987,060	25,466	-	1,012,526
Equipment	3,148,941	192,645	(476,111)	2,865,475
Total capital assets being depreciated	<u>4,664,791</u>	<u>218,111</u>	<u>(476,111)</u>	<u>4,406,791</u>
Less accumulated depreciation for:				
Buildings	(203,004)	(27,463)	-	(230,467)
Improvements other than buildings	(682,801)	(59,338)	-	(742,139)
Equipment	(1,449,877)	(335,870)	446,893	(1,338,854)
Total accumulated depreciation	<u>(2,335,682)</u>	<u>(422,671)</u>	<u>446,893</u>	<u>(2,311,460)</u>
Total capital assets being depreciated, net	<u>2,329,109</u>	<u>(204,560)</u>	<u>(29,218)</u>	<u>2,095,331</u>
Solid waste fund capital assets, net	<u>\$ 3,474,162</u>	<u>(204,560)</u>	<u>(29,218)</u>	<u>3,240,384</u>
Stormwater Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 234,866	-	-	234,866
Construction in progress	125,613	55,909	(125,613)	55,909
Total capital assets not being depreciated	<u>360,479</u>	<u>55,909</u>	<u>(125,613)</u>	<u>290,775</u>
Capital assets being depreciated:				
Infrastructure	11,018,167	3,581,112	-	14,599,279
Equipment	301,056	-	-	301,056
Total capital assets being depreciated	<u>11,319,223</u>	<u>3,581,112</u>	<u>-</u>	<u>14,900,335</u>
Less accumulated depreciation for:				
Infrastructure	(4,436,557)	(1,046,268)	-	(5,482,825)
Equipment	(102,370)	(27,324)	-	(129,694)
Total accumulated depreciation	<u>(4,538,927)</u>	<u>(1,073,592)</u>	<u>-</u>	<u>(5,612,519)</u>
Total capital assets being depreciated, net	<u>6,780,296</u>	<u>2,507,520</u>	<u>-</u>	<u>9,287,816</u>
Stormwater fund capital assets, net	<u>\$ 7,140,775</u>	<u>2,563,429</u>	<u>(125,613)</u>	<u>9,578,591</u>

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

<u>Nonmajor Funds</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets being depreciated:				
Buildings and utility plants	\$ 1,914,371	-	-	1,914,371
Improvements other than buildings	6,720,031	86,775	-	6,806,806
Equipment	1,000,911	153,869	(58,182)	1,096,598
Total capital assets being depreciated	<u>9,635,313</u>	<u>240,644</u>	<u>(58,182)</u>	<u>9,817,775</u>
Less accumulated depreciation for:				
Buildings	(990,745)	(127,625)	-	(1,118,370)
Improvements other than buildings	(5,223,768)	(383,079)	-	(5,606,847)
Equipment	(786,973)	(105,238)	58,182	(834,029)
Total accumulated depreciation	<u>(7,001,486)</u>	<u>(615,942)</u>	<u>58,182</u>	<u>(7,559,246)</u>
Total capital assets being depreciated, net	<u>2,633,827</u>	<u>(375,298)</u>	<u>-</u>	<u>2,258,529</u>
Nonmajor fund capital assets, net	\$ <u>2,633,827</u>	<u>(375,298)</u>	<u>-</u>	<u>2,258,529</u>
 Total business-type capital assets, net	 \$ <u>95,546,827</u>	 <u>4,315,557</u>	 <u>(1,584,376)</u>	 <u>98,278,008</u>

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

Governmental activities:	
General government	\$ 495,566
Public safety	1,043,342
Physical and economic environment	1,140,032
Transportation	1,381,487
Cultural and recreation	1,650,463
Internal service	<u>298,828</u>
Total depreciation expense - governmental activities	<u>\$ 6,009,718</u>
Business-type activities:	
Water and sewer	\$ 5,795,706
Solid waste	422,671
Stormwater	1,073,592
Other	<u>615,942</u>
Total depreciation expense - business-type activities	<u>\$ 7,907,911</u>

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

(E) Interfund Transactions

Individual fund interfund receivable and payable balances at September 30, 2009, are as follows:

	<u>Interfund receivable</u>	<u>Interfund payable</u>
Governmental activities:		
Major fund:		
General	\$ 31,501	-
Nonmajor fund:		
Community Development Block Grant Fund	-	31,501
	<u>\$ 31,501</u>	<u>31,501</u>

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

Advances from/to other funds are as follows:

	<u>Advances receivable</u>	<u>Advances payable</u>
Governmental activities:		
Major funds:		
General	\$ 322,203	-
Capital projects	217,091	-
Community redevelopment	-	727,932
Streets and traffic	174,189	-
Business-type activities:		
Major fund:		
Stormwater	14,449	-
	<u>\$ 727,932</u>	<u>727,932</u>

Advances to other funds represent funds the community redevelopment fund used to construct certain infrastructure improvements that will be repaid according to a set schedule. Advances expected to be repaid within one year are \$359,673.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Interfund Transfers:

Transfers during the year ended September 30, 2009, consisted of the following:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental activities:		
Major funds:		
General	\$ 2,838,546	297,214
Debt service	1,065,436	8,198,272
Capital projects	1,393,400	1,258,043
Community redevelopment	6,816,910	1,065,436
Streets and traffic	500,000	-
Nonmajor fund:		
Land conservation trust	100,000	-
Internal service fund:		
Construction management	88,043	-
Business-type activities:		
Major funds:		
Water and sewer	-	1,673,202
Solid waste	-	388,329
Nonmajor fund:		
City dock	185,176	107,015
	<u>\$ 12,987,511</u>	<u>12,987,511</u>

The transfers into the General Fund amounted to \$2,838,546 of which \$2,168,546 was payments in-lieu of taxes from the Water and Sewer Fund, Solid Waste Fund and City Dock Fund and \$670,000 was from the Capital Projects Fund to help fund operations. The transfer into the Debt Service Fund from the Community Redevelopment Fund in the amount of \$1,065,436 was for debt service payments. The transfer into the Capital Projects Fund from the Debt Service Fund in the amount of \$1,393,400 was utility tax revenues to be used for expenditures. The transfer into the Community Redevelopment Fund from the Debt Service Fund in the amount of \$6,804,872 was from the sale of the 2008 Redevelopment Note to fund the construction of the parking garage. The transfer into the Streets and Traffic Fund from the Capital Projects Fund in the amount of \$500,000 was for the overlay program. The transfer into the Construction Management Fund from the Capital Projects Fund was to close out the Construction Management Fund. Other miscellaneous transfers were made to fund other programs.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

(F) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2009, 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	\$ 896,403	1,237,636	2,134,039
Debt service	46,337	-	46,337
Capital projects	220,271	-	220,271
Community redevelopment	58,920	28,987	87,907
Streets and traffic	302,097	30,991	333,088
Nonmajor funds	98,027	78,483	176,510
Internal service	199,512	88,592	288,104
	<u>\$ 1,821,567</u>	<u>1,464,689</u>	<u>3,286,256</u>
Business-type activities:			
Major funds:			
Water and sewer	\$ 2,049,924	318,567	2,368,491
Solid waste	287,740	87,048	374,788
Stormwater	928,784	27,157	955,941
Nonmajor funds	131,497	45,404	176,901
	<u>\$ 3,397,945</u>	<u>478,176</u>	<u>3,876,121</u>

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

(G) Long-Term Obligations

Governmental activities long-term obligations at September 30, 2009 are comprised of the following:

Public Service Tax Revenue Bonds, Series 2001, issued in the amount of \$9,845,000 for the acquisition and construction of improvements to the City's recreational facilities and to refund the Public Service Tax Revenue Bonds, Series 1997, due in annual installments of \$510,000 to \$935,000 through July 1, 2021. Public service taxes are pledged to secure this issue. Interest rates range from 4.20% to 5.00%	\$ 8,405,000
Redevelopment Revenue and Refunding Bonds, Series 2003, issued in the amount of \$5,925,000 for the purpose of fully refunding the City's Redevelopment Revenue Bonds, Series 1998, and financing the cost of the design, installation, construction and reconstruction of street, public right-of-way, drainage and other related improvements within the CRA District, due in annual installments of \$275,000 to \$415,000 through December 1, 2021. Non-ad valorem revenues are pledged to secure this issue. Interest rate is 3.58%.	4,555,000
Capital Improvement Revenue Note, Series 2008, issued in the amount of \$6,860,000 for the purpose of financing the cost of the design, installation, construction, and equipping of a parking garage within the City, due in annual installments of \$357,000 to \$598,000 through September 1, 2023. Non-ad valorem revenues are pledged to secure this issue. Interest rate is 4.04%.	6,558,000
General Obligation Bonds, Series 2004, issued in the amount of \$3,170,000 to partially refund the General Obligation Bonds, Series 2000, due in annual installments of \$470,000 to \$590,000 through March 1, 2015. Ad valorem taxes are pledged to secure this issue. Interest rate is 3.84%.	3,170,000
Unamortized issuance discounts	(77,622)
Claims payable	2,903,000
Other post-employment benefits payable	107,284
Compensated absences payable	2,138,862
	<u>\$ 27,759,524</u>

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Changes in long-term obligations for the year ended September 30, 2009, are as follows:

Governmental Activities	Balance October 1	Additions	Retired	Balance September 30	Due in One Year
Bonds payable:					
2000 General Obligation Bonds	\$ 445,000	-	(445,000)	-	-
2004 General Obligation Bonds	3,170,000	-	-	3,170,000	470,000
1993 Public Service Tax Refunding Bonds	150,000	-	(150,000)	-	-
2001 Public Service Tax Revenue Bonds	8,745,000	-	(340,000)	8,405,000	510,000
2003 Redevelopment Revenue and Refunding Bonds	4,815,000	-	(260,000)	4,555,000	275,000
2008 Capital Improvement Note	-	6,860,000	(302,000)	6,558,000	357,000
	<u>17,325,000</u>	<u>6,860,000</u>	<u>(1,497,000)</u>	<u>22,688,000</u>	<u>1,612,000</u>
Less: unamortized discounts	(85,473)		7,851	(77,622)	(7,851)
Total bonds payable	<u>17,239,527</u>	<u>6,860,000</u>	<u>(1,489,149)</u>	<u>22,610,378</u>	<u>1,604,149</u>
Claims payable	2,466,000	7,716,010	(7,279,010)	2,903,000	963,000
Other post-employment benefits payable	-	201,325	(94,041)	107,284	-
Compensated absences payable	2,038,868	324,506	(224,512)	2,138,862	415,586
Total	<u>\$ 21,744,395</u>	<u>15,101,841</u>	<u>(9,086,712)</u>	<u>27,759,524</u>	<u>2,982,735</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$151,306 in compensated absences, \$2,903,000 in claims payable, and \$5,697 in other post-employment benefits of internal service funds are included in the above amounts. The compensated absences balances are made up by the following funds: General Fund \$1,803,989, Building and Zoning Fund \$68,043, Community Redevelopment Fund \$18,587, Streets and Traffic Fund \$96,937 and internal service funds \$151,306.

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

Governmental Activities:

	Principal	Interest
Year ended September 30:		
2010	\$ 1,612,000	936,850
2011	1,692,000	872,135
2012	1,757,000	804,574
2013	1,838,000	733,101
2014	1,919,000	657,711
2015-2019	8,573,000	2,191,816
2020-2023	<u>5,297,000</u>	<u>437,421</u>
	<u>22,688,000</u>	<u>6,633,608</u>

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Long-term liabilities of the business-type activities at September 30, 2009, are comprised of the following issues:

Water and Sewer Fund:

Public Utilities Revenue Bond, Series 2007A, issued in the amount of \$10,000,000 to finance the costs of water and sewer capital projects. Bonds mature annually on September 1, with final maturity on September 1, 2027. Interest is payable semi-annually on March 1 and September 1, at a fixed rate of 3.84%. The principal and interest is secured by the net revenue of the water and sewer system and from the investment of monies in various funds established by Ordinance.	\$ 9,208,456
Public Utilities Refunding Revenue Bond, Series 2007B, issued in the amount of \$5,819,677 to currently refund the outstanding principal amount of the city's Capital Improvement Note, Series 2005. Bonds mature annually on September 1, with final maturity on September 1, 2027. Interest is payable semi-annually on March 1 and September 1, at a fixed rate of 3.62%. The principal and interest is secured by the net revenue of the water and sewer system and from the investment of monies in various funds established by Ordinance.	5,353,329
State of Florida Revolving Loan Funds, used to upgrade and expand the City's water and sewage treatment plant, payable in equal semi-annual installments of principal and interest for a period of twenty (20) years beginning in April 1998. Planning, engineering and administration allowances in the amount of \$962,696 were approved in March 1995, at an interest rate of 3.79%. Phase I construction was approved in the amount of \$25,930,000 in June 1996, at an interest rate of 2.56%.	15,559,471
Other post-employment benefits payable	28,731
Unamortized issuance discounts	(30,194)
Compensated absences payable	<u>404,613</u>
Total water and sewer fund	<u>\$ 30,524,406</u>

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Stormwater Fund:

State of Florida Revolving Loan Funds issued in the amount of \$4,830,210 for improvements to the City's stormwater system, principal and interest payable in equal semi-annual installments of \$255,772 for a period of twenty (20) years until final maturity on June 15, 2021, with interest of 3.03%. The principal and interest is secured by net revenues of the stormwater utility system, including investment income.

	\$ 2,557,149
Other post-employment benefits payable	2,115
Compensated absences payable	<u>52,906</u>
Total stormwater fund	<u>\$ 2,612,170</u>

Solid Waste Fund:

Other post-employment benefits payable	\$ 7,243
Compensated absences payable	<u>127,764</u>
Total solid waste fund	<u>\$ 135,007</u>

Nonmajor fund - City Tennis Fund:

Public Service Tax Refunding Bonds, Series 2001, issued in the amount of \$605,000 for the acquisition and construction of improvements to the City's recreational facilities and to refund the Public Service Tax Revenue Bonds, Series 1997, due in annual installments through July 1, 2021, with interest rates ranging from 4.20% to 5.00%. The principal and interest is payable from and secured by non-ad valorem taxes and from the investment of monies in various funds established by Ordinance.

	\$ 350,000
Other post-employment benefits payable	4,220
Compensated absences payable	<u>66,448</u>
Total nonmajor fund - city tennis fund	<u>\$ 420,668</u>

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Changes in proprietary fund debt for the year ended September 30, 2009, are as follows:

<u>Business-Type Activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30</u>	<u>Due in One Year</u>
Bonds payable:					
Public Utilities Revenue Bond, Series 2007A	\$ 9,559,355	-	(350,899)	9,208,456	364,374
Public Utilities Refunding Revenue Bond, Series 2007B	5,561,909	-	(208,580)	5,353,329	216,130
Water and Sewer - State Revolving Fund	17,012,939	-	(1,453,468)	15,559,471	1,493,907
Stormwater - State Revolving Fund	2,731,467	-	(174,318)	2,557,149	179,641
Public Service Tax Revenue Refunding, Series 2001	400,000	-	(50,000)	350,000	50,000
	<u>35,265,670</u>	-	<u>(2,237,265)</u>	<u>33,028,405</u>	<u>2,304,052</u>
Less: unamortized discounts	(31,872)	-	1,678	(30,194)	(1,678)
Total bonds payable	<u>35,233,798</u>	-	<u>(2,235,587)</u>	<u>32,998,211</u>	<u>2,302,374</u>
Other post-employment benefits payable	-	78,293	(35,984)	42,309	-
Compensated absences payable	581,380	150,766	(80,415)	651,731	108,728
Total	<u>\$ 35,815,178</u>	<u>229,059</u>	<u>(2,351,986)</u>	<u>33,692,251</u>	<u>2,411,102</u>

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

In accordance with bond covenants and Section 148 of the Internal Revenue Code, the City is required to rebate to the U.S. Treasury, every five years, arbitrage earnings on bond proceeds in excess of the bond yield. For fiscal year ending September 30, 2009, no amounts were earned that will have to be rebated for arbitrage earnings.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

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>
Year ended September 30:			
2010	\$	2,074,411	969,190
2011		2,137,802	905,801
2012		2,203,180	840,422
2013		2,270,610	772,992
2014		2,340,155	703,446
2015-2019		11,051,652	2,407,095
2020-2024		4,899,103	1,131,497
2025-2027		3,144,343	239,354
	\$	<u>30,121,256</u>	<u>7,969,797</u>

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

Stormwater Fund:

		<u>Principal</u>	<u>Interest</u>
Year ended September 30:			
2010	\$	179,641	76,131
2011		185,125	70,647
2012		190,777	64,995
2013		196,601	59,171
2014		202,603	53,169
2015-2019		1,109,661	169,197
2020-2021		492,741	18,803
	\$	<u>2,557,149</u>	<u>512,113</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

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

Nonmajor Funds:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2010	\$ 50,000	15,658
2011	55,000	13,558
2012	55,000	11,220
2013	60,000	8,800
2014	60,000	6,100
2015	70,000	3,325
	<u>\$ 350,000</u>	<u>58,661</u>

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

Net interest cost (interest cost less the interest earned on the investment of unexpended debt proceeds) is capitalized in the proprietary funds on construction projects financed with long-term debt. Interest cost is not capitalized on projects financed by government grants or third-party donations. Interest cost is not capitalized on assets in the governmental activities. Interest was not capitalized during the year ended September 30, 2009.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Defeased Debt

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

	Defeased bonds outstanding
Water and Sewer Refunding Revenue Bonds, Series 2002	\$ <u><u>6,885,000</u></u>

(H) Fund Equity

The following is a summary of fund balances that were designated for other purposes as of September 30, 2009:

<u>Reserved for</u>	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other nonmajor governmental funds</u>
Sable Bay litigation	\$ 13,791	-	-
Emergency reserve	3,901,623	-	-
Handicap accessibility	37,353	-	-
Low income housing	-	182,843	-
Public art	-	-	10,129
Downtown parking	-	-	132,650
Fifth Avenue payment in lieu of parking	-	-	267,672
Donation requests	-	-	176,137
	\$ <u><u>3,952,767</u></u>	<u><u>182,843</u></u>	<u><u>586,588</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

(I) Additional Information

The City has one nonmajor enterprise fund which has revenue bonds outstanding at September 30, 2009. The Tennis fund's revenues are pledged in support of those outstanding bonds. Relevant additional information for the Tennis fund as of and for the year ended September 30, 2009, follows:

Statement of Net Assets

Cash and investments	\$ 251,153
Inventories	8,160
Accrued interest	870
Restricted cash and investments	16,415
Total current assets	<u>276,598</u>
Other assets	1,673
Capital assets, net	400,598
Total assets	<u>678,869</u>
Current liabilities	53,636
Current liabilities (payable from restricted assets)	16,415
Noncurrent liabilities	314,929
Total liabilities	<u>384,980</u>
Net assets:	
Invested in capital assets, net of related debt	50,598
Unrestricted	243,291
Total net assets	<u>\$ 293,889</u>

Statement of Changes in Net Assets

Operating revenues:	
Charges for services	\$ 548,984
Total operating revenues	<u>548,984</u>
Operating expenses	445,492
Depreciation and amortization	45,917
Total operating expenses	<u>491,409</u>
Operating income	57,575
Nonoperating revenues (expenses):	
Interest income	5,230
Interest expense	(8,328)
Change in net assets	<u>54,477</u>
Net assets – beginning of year	239,412
Net assets – end of year	<u>\$ 293,889</u>

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Statement of Cash Flows

Cash flows from operating activities:	
Cash received from customers	\$ 548,984
Cash payments to suppliers	(209,573)
Cash payments to employees	(206,949)
Cash payments for interfund services	(32,000)
Net cash provided by operating activities	<u>100,462</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(50,000)
Interest paid on long-term debt	(8,840)
Acquisition and construction of capital assets	(12,524)
Net cash used in capital and related financing activities	<u>(71,364)</u>
Cash flows from investing activities:	
Interest and investment earnings	6,593
Net cash provided by investing activities	<u>6,593</u>
Net increase in cash and cash equivalents	35,691
Cash and cash equivalents - beginning of year	231,877
Cash and cash equivalents - end of year	<u>\$ 267,568</u>

(J) Employee Pension Plans

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

i. General Pension Plan

The General Retirement Plan provides benefits for all full-time American Federation of State and Municipal Employees (AFSME) union, Government Supervisor Association of Florida Office and Professional Employees International Union (OPEIU) and non-bargaining employees of the City. All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 09-12514. 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.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

The payroll for employees covered by the plan and the government's total payroll for the year ended September 30, 2009, and current membership, as of October 1, 2009, the date of the most recent actuarial valuation, is as follows:

General pension plan:

Covered payroll for the year ended September 30, 2009	\$ 16,206,593
Covered payroll as a percentage of the City's total payroll of \$ 25,724,802	63.0%
Retirees and beneficiaries currently receiving benefits	199
Vested terminated employees	24
Active employees:	
Fully vested	164
Nonvested	136

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

	<u>Benefits</u>	<u>Vesting</u>
General employees	Normal retirement at age 60; early retirement at age 55 or the rule of 85 regardless of service; benefits at 2.50% of average final compensation times years of service. Early retirement benefit reduced by 0.25% for each month prior to normal retirement age	100% after five years of creditable service; 0% prior to that. General pension employees hired after February 28, 1995 have an effective start date six months after employment date

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

As of September 30, 2009, there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net assets available for benefits. As of September 30, 2009, there was no investment type or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

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

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

The Plan's funding policy requires employees to contribute not less than 5% of compensation to the Plan on a pre-tax basis. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, 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 actuarial required contribution for fiscal year ending September 30, 2009 was determined in accordance with the October 1, 2007, actuarial valuation. The Plan is valued under the entry age normal cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 30 years. Investment earnings are assumed at 8.5% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 6-13% each year, and include an inflation rate of 3.0%. The actuarial value of assets is developed using a five year smoothing market value return on the valuation date. The gains/losses are phased in 20% per year, up to 100% after 5 years. The Plan does not provide for a postretirement benefit increase.

General - Three Year Trend Information

Year ending:	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/09	\$ 1,932,075	107.9%	(1,084,494)
09/30/08	1,162,381	123.8%	(932,759)
09/30/07	1,137,991	101.9%	(656,671)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Required Contributions (ARC)	\$ 1,881,902	1,110,259	1,094,083
Interest on Net Pension Obligation (NPO)	(74,621)	(52,534)	(53,932)
Adjustment to ARC	<u>124,794</u>	<u>104,656</u>	<u>97,840</u>
Annual Pension Cost (APC)	1,932,075	1,162,381	1,137,991
Contributions made	<u>2,083,810</u>	<u>1,438,469</u>	<u>1,160,170</u>
Increase (decrease) in NPO	(151,735)	(276,088)	(22,179)
NPO at beginning of year	<u>(932,759)</u>	<u>(656,671)</u>	<u>(634,492)</u>
NPO at end of year	\$ <u><u>(1,084,494)</u></u>	<u><u>(932,759)</u></u>	<u><u>(656,671)</u></u>

As of the most recent actuarial valuation dated October 1, 2009, the funded status of the Plan is as follows:

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/01/09	\$ 39,082	57,061	17,979	68%	16,207	111%

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

ii. Police Officers' Pension Plan

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

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

The payroll for employees covered by the Plan and the government's total payroll for the year ended September 30, 2009, and current membership, as of October 1, 2009, the date of the most recent actuarial valuation is as follows:

Police pension plan:		
Covered payroll for the year ended September 30, 2009	\$	5,738,240
Covered payroll as a percentage of the City's total payroll of		22.3%
\$ 25,724,802		
Retirees and beneficiaries currently receiving benefits		45
Vested terminated employees		15
Active employees:		
Fully vested		43
Nonvested		28

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

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

The system also provides disability and survivors' benefits.

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

As of September 30, 2009, there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net assets available for benefits. As of September 30, 2009, there were no investment types

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

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

The Plan's funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all Plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from the Plan assets. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Police Officers' Pension Plan for the year ended September 30, 2009, was \$625,280. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The actuarial required contribution for fiscal year ending September 30, 2009, was determined in accordance with the October 1, 2007, actuarial valuation. The Plan is valued under the entry age normal cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 30 years. Investment rate of return is assumed at 8.00% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 6.5-13% each year, and include an inflation rate of 3%. The actuarial value of assets is developed using a five year smoothing market value return on the valuation date. The gains/losses are phased in 20% per year, up to 100% after 5 years. The plan provides for post retirement benefit increases of 3% per year at ages 55 to 62.

Police - Three Year Trend Information

Year ending:	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/09	\$ 1,884,145	101.7%	(671,038)
09/30/08	1,527,110	105.6%	(638,242)
09/30/07	1,373,995	99.4%	(552,866)

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Required Contributions (ARC)	\$ 1,850,214	1,487,575	1,333,101
Interest on Net Pension Obligation (NPO)	(51,059)	(44,229)	(44,842)
Adjustment to ARC	84,990	83,764	85,736
Annual Pension Cost (APC)	1,884,145	1,527,110	1,373,995
Contributions made	1,916,941	1,612,486	1,366,334
Increase (decrease) in NPO	(32,796)	(85,376)	7,661
NPO at beginning of year	(638,242)	(552,866)	(560,527)
NPO at end of year	\$ <u>(671,038)</u>	<u>(638,242)</u>	<u>(552,866)</u>

As of the most recent actuarial valuation dated October 1, 2009, the funded status of the plan is as follows:

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/01/09	\$ 29,816	46,628	16,812	64%	5,738	293%

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

iii. Firefighters' Pension Plan

The Firefighters' Retirement Plan provides benefits for all full-time sworn fire personnel of the City. All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 09-12518. 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.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

The payroll for employees covered by the Plan and the government's total payroll for the year ended September 30, 2009, and current membership, as of October 1, 2009, the date of the most recent actuarial valuation, is as follows:

Firefighters' pension plan:	
Covered payroll for the year ended September 30, 2009	\$ 3,779,969
Covered payroll as a percentage of the City's total payroll of \$ 25,724,802	14.7%
Retirees and beneficiaries currently receiving benefits	23
Vested terminated employees	7
Active employees:	
Fully vested	41
Nonvested	11

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

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

The system also provides disability and survivors' benefits.

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

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

As of September 30, 2009, there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net assets available for benefits. As of September 30, 2009, there were no investment types or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

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

The Plan's funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from Plan assets. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Firefighters' Pension Plan for the year ended September 30, 2009, was \$1,390,852. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The actuarial required contribution for fiscal year ending September 30, 2009, was determined in accordance with the October 1, 2007, actuarial valuation. The Plan is valued under the entry age normal cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 30 years. Investment earnings are assumed at 7.5% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 7.5-13% each year, and include an inflation rate of 3%. The actuarial value of assets is developed using a five year smoothing market value return on the valuation date. The gains/losses are phased in 20% per year, up to 100% after 5 years. The plan does provide for post-retirement benefit increase of 3.0% per year beginning at the age of 50.

Fire - Three Year Trend Information

Year ending:	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/09	\$ 2,086,408	128.4%	(1,041,870)
09/30/08	1,659,069	100.3%	(449,309)
09/30/07	1,278,677	105.5%	(444,371)

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Required Contributions (ARC)	\$ 2,076,324	1,628,489	1,252,682
Interest on Net Pension Obligation (NPO)	(33,698)	(33,328)	(28,092)
Adjustment to ARC	43,782	63,908	54,087
Annual Pension Cost (APC)	2,086,408	1,659,069	1,278,677
Contributions made	2,678,969	1,664,007	1,348,483
Increase (decrease) in NPO	(592,561)	(4,938)	(69,806)
NPO at beginning of year	(449,309)	(444,371)	(374,565)
NPO at end of year	\$ (1,041,870)	(449,309)	(444,371)

As of the most recent actuarial valuation dated October 1, 2009, the funded status of the plan is as follows:

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/01/09	\$ 26,748	43,855	17,107	61%	3,780	453%

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Statements of fiduciary net assets and statements of changes in fiduciary net assets for the City's defined benefit pension plans are as follows, as of and for the year ended September 30, 2009:

Statements of Fiduciary Net Assets

	General Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 1,670,473	1,551,680	1,687,815
Receivables:			
Accounts	-	-	298,354
Investments, at fair value:			
Corporate bonds	5,068,853	4,124,518	3,627,118
U.S. Government securities	2,874,057	2,154,453	2,141,915
Common stock	20,868,445	15,576,916	13,683,573
Mortgage-backed securities	2,319,749	1,903,490	1,685,182
Total investments	<u>31,131,104</u>	<u>23,759,377</u>	<u>21,137,788</u>
Total assets	<u>32,801,577</u>	<u>25,311,057</u>	<u>23,123,957</u>
Liabilities:			
DROP payable	<u>233,425</u>	-	-
Total liabilities	<u>233,425</u>	<u>-</u>	<u>-</u>
Net assets:			
Held in trust for pension benefits	\$ <u><u>32,568,152</u></u>	<u><u>25,311,057</u></u>	<u><u>23,123,957</u></u>

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Statements of Changes in Fiduciary Net Assets

	General Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employee contributions	\$ 810,764	349,445	222,302
Employer contributions	2,088,351	1,291,661	1,288,118
Direct state contributions	-	625,280	1,390,852
Total contributions	<u>2,899,115</u>	<u>2,266,386</u>	<u>2,901,272</u>
Investment earnings:			
Interest and dividend income	996,316	770,829	680,938
Net appreciation (depreciation) in fair value of investments	(173,492)	156,762	248,352
Less investment expense	<u>(151,749)</u>	<u>(96,063)</u>	<u>(98,675)</u>
Net investment earnings	<u>671,075</u>	<u>831,528</u>	<u>830,615</u>
Total additions	<u>3,570,190</u>	<u>3,097,914</u>	<u>3,731,887</u>
Deductions:			
Benefits paid	2,159,090	1,617,879	900,259
Refunds of contributions	297,471	-	-
General administration	<u>75,234</u>	<u>61,371</u>	<u>44,757</u>
Total deductions	<u>2,531,795</u>	<u>1,679,250</u>	<u>945,016</u>
Changes in net assets	1,038,395	1,418,664	2,786,871
Net assets - beginning of year	<u>31,529,757</u>	<u>23,892,393</u>	<u>20,337,086</u>
Net assets - end of year	<u>\$ 32,568,152</u>	<u>25,311,057</u>	<u>23,123,957</u>

(K) Employee Retirement Savings Plans

i. Supplemental Retirement Savings Plan

All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 99-8642. The Plan Ordinance may be amended by the City Council after public notice has been made, two public readings are conducted and one public hearing held. The Supplemental Plan does not issue a stand-alone financial report and is not included in any other retirement system 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).

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

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

Employee contributions:
100% – Immediately

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

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

As of September 30, 2009, there were 174 active Plan members. The City's contribution for the year was \$199,785. Covered payroll for the year ended September 30, 2009, was \$10,158,366. Contributions and earnings are returned to participants upon retirement or termination. Employee contributions were \$356,965 for the year ended September 30, 2009.

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

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

ii. Managers' Retirement Savings Plan

All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Resolution, the most recent of which is Resolution #96-7751. The Plan Resolution authorizes participation in the Plan by exempting managers from participating in the General Pension Retirement Plan. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity'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.

Vesting in Employee and Employer contributions 100% – Immediately

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

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

As of September 30, 2009, there were five active Plan members and six retired and terminated members who have maintained account balances. The City's contribution for the year was \$39,006. Covered payroll for the year ended September 30, 2009, was \$741,030. Employee contributions were \$65,398 for the year ended September 30, 2009.

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

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

Statements of fiduciary net assets and statements of changes in fiduciary net assets for the City's defined contribution pension plans are as follows, as of and for the year ended September 30, 2009:

Statements of Fiduciary Net Assets

	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>
Assets:		
Investments, at fair value:		
Mutual funds	\$ 4,171,872	571,688
Total investments	<u>4,171,872</u>	<u>571,688</u>
Total assets	<u>4,171,872</u>	<u>571,688</u>
Liabilities:		
Accounts payable	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Net assets:		
Held in trust for pension benefits	<u>\$ 4,171,872</u>	<u>571,688</u>

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Statements of Changes in Fiduciary Net Assets

	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employee contributions	\$ 356,965	65,398
Employer contributions	199,785	39,006
Total contributions	<u>556,750</u>	<u>104,404</u>
Investment earnings:		
Interest and dividend income	39,139	1,139
Net appreciation (depreciation) in fair value of investments	(3,466)	14,334
Less investment expense	<u>(10,173)</u>	<u>(237)</u>
Net investment earnings	<u>25,500</u>	<u>15,236</u>
Total additions	<u>582,250</u>	<u>119,640</u>
Deductions:		
Refunds of contributions	<u>365,145</u>	<u>105,801</u>
Total deductions	<u>365,145</u>	<u>105,801</u>
Changes in net assets	217,105	13,839
Net assets – beginning of year	<u>3,954,767</u>	<u>557,849</u>
Net assets – end of year	<u>\$ 4,171,872</u>	<u>571,688</u>

(L) Other Post-employment Benefits

Effective for the 2008-09 fiscal year, the City implemented *Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, for certain post-employment health care benefits provided by the City. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$2,374,493 at the October 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the post-employment health care benefits liability at the date of transition.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

Plan Description: The Post-employment Health Care Benefits Plan is a single-employer defined benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees and eligible dependents who retire from the City may continue to participate in the City's self-funded health and hospitalization plans for medical and prescription drug coverage. 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.

Funding Policy: Contribution requirements for the Post-employment Health Care Benefits Plan of the City are established. They may be amended through recommendations of the Insurance Committee and action from the Board. The City has not advanced-funded or established a funding methodology for the annual Other Post-employment Benefit (OPEB) costs or the net OPEB obligation. As of October 1, 2009, there were 23 retirees and 12 eligible dependents receiving post-employment health care benefits. For the 2008-09 fiscal year, the City provided required contributions of \$130,025 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses and reinsurance payments and net of retiree contributions totaling \$173,532. Required contributions are based on projected pay-as-you-go financing.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the City's net OPEB obligation:

	2009
Normal cost	\$ 176,900
Amortization of unfunded actuarial accrued liability	90,677
Interest on normal cost and amortization	12,041
Annual required contribution	279,618
Interest on Net OPEB obligation	-
Amortization of net OPEB obligation	-
Total expense or annual OPEB cost	279,618
Actual contribution toward OPEB cost	(130,025)
Increase in net OPEB obligation	149,593
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ 149,593

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2009, was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>% of AOC Contributed</u>	<u>Net OPEB Obligation</u>
09/30/09	\$ 279,618	46.5%	149,593

Funded Status and Funding Progress: As of September 30, 2009, the actuarial accrued liability for benefits was \$2,613,832, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,613,832. The covered payroll (annual payroll for active participating employees) was \$28,863,953 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.1%.

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

The City's initial OPEB actuarial valuation for the 2008-09 fiscal year used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 percent rate of return on invested assets, which is the City's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, and an annual healthcare cost trend rate of 10.5 percent initially for the 2008-09 fiscal year, reduced by 1 percent per year, to an ultimate rate of 5.5 percent for the fiscal year ending September 30, 2014. The unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of projected payroll on a closed basis over 30 years.

(M) Contingencies

i. Litigation

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

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

ii. Federal and State Assistance Programs

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

iii. Self-Insurance Funds

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

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

Property damage	\$ 25,000
Third party liability	100,000
Excess workers' compensation	
Police and Fire employees	200,000
All other employees	150,000
Blanket bond and money and securities	25,000
Employee medical	100,000
Aggregate losses	1,050,000

The liability for unpaid claims is estimated based upon historical actual results adjusted for current economic trends. The estimated claims liability for all self-insured risks are reported as claims payable in the Risk Management and Health Benefits Internal Service funds which include an estimate for incurred but not reported claims. In addition, reimbursements from excess loss reinsurers are netted against claims expenses, as applicable, in the Risk Management and Health Benefits Internal Service funds. During the current year, \$154,397 and \$200,354 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, 2009. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2009, \$2,903,000 was accrued for estimated self-insurance claims. For the past three fiscal years, the City of Naples insurance settlements have not exceeded the insurance coverage and there were no significant reductions in insurance coverage from the previous year.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

A reconciliation of estimated claims liabilities is as follows:

	Risk management	Health benefits	Total
Balance September 30, 2007	\$ 1,813,000	547,000	2,360,000
Current year claims incurred and change in estimates	2,650,482	4,615,253	7,265,735
Claim payments	<u>(2,430,482)</u>	<u>(4,729,253)</u>	<u>(7,159,735)</u>
Balance September 30, 2008	2,033,000	433,000	2,466,000
Current year claims incurred and change in estimates	2,451,551	4,827,460	7,279,011
Claim payments	<u>(1,986,551)</u>	<u>(4,855,460)</u>	<u>(6,842,011)</u>
Balance September 30, 2009	\$ <u>2,498,000</u>	<u>405,000</u>	<u>2,903,000</u>

iv. Construction Projects

At September 30, 2009, the City had commitments for the completion:

Project	Contract amount	Completed to date	Balance
HAVC - Police Building			
Contractors	\$ 501,186	22,900	478,286
Engineers	61,377	-	61,377
Cove Stormwater Pump Station			
Contractors	2,778,000	784,500	1,993,500
Engineers	144,577	59,727	84,850
Golden Gate Wellfield Improvements			
Contractors	1,458,454	720,664	737,790
Engineers	64,415	59,727	4,688
WWTP Clarifier Replacement			
Contractors	2,089,001	635,221	1,453,780
Engineers	236,850	12,808	224,042
ASR Test Well			
Contractors	783,783	313,183	470,600
Engineers	84,760	27,852	56,908

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2009

(N) Subsequent Events

Events and transactions that occur after fiscal year-end but prior to issuance of the CAFR are subsequent events. Common subsequent events are debt issuances and settlement or initiation of litigation. Additional events may be natural disasters, major changes in legislation, mergers, takeovers, and annexations.

The City has evaluated all subsequent events through March 8, 2010, the date the financial statements were available to be issued.

Pensions: In February 2010, the General and Police Pension Boards reduced the actuarial assumption investment rate of return from 8.00% to 7.5% effective with the October 1, 2009, actuarial valuation report. The accepted reports will be modified and subject to approval at their next quarterly meeting in April 2010.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2009

(Unaudited)

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/01/09	\$ 39,082	57,061	17,979	68%	16,207	111%
10/01/08	37,871	51,629	13,758	73%	15,780	87%
10/01/07	38,726	46,673	7,947	83%	13,816	58%
10/01/06	36,354	39,652	3,298	92%	11,422	29%
10/01/05	33,998	37,339	3,341	91%	11,268	30%
10/01/04	32,966	38,022	5,056	87%	10,946	46%

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

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
9/30/09	\$ 1,882	2,084	111%
9/30/08	1,110	1,438	130%
9/30/07	1,094	1,160	106%
9/30/06	982	1,044	106%
9/30/05	883	1,002	113%
9/30/04	839	839	100%

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2009

(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/09	\$ 29,816	46,628	16,812	64%	5,738	293%
10/01/08	28,760	44,114	15,354	65%	5,434	283%
10/01/07	27,380	39,524	12,144	69%	4,634	262%
10/01/06	22,535	32,420	9,885	70%	4,239	233%
10/01/05	20,543	29,415	8,872	70%	4,052	219%
10/01/04	19,586	27,603	8,017	71%	3,919	205%

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

Fiscal Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
9/30/09	\$ 1,850	1,292	625 *	104%
9/30/08	1,488	886	726 *	108%
9/30/07	1,333	704	662 *	102%
9/30/06	1,042	379	662 *	100%
9/30/05	903	286	662 *	105%
9/30/04	781	366	662 *	132%

* Baseline amount per Chapter 185, F.S.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2009

(Unaudited)

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/01/09	\$ 26,748	43,855	17,107	61%	3,780	453%
10/01/08	23,543	41,533	17,990	57%	3,682	489%
10/01/07	21,992	37,118	15,126	59%	3,552	426%
10/01/06	18,677	30,409	11,732	61%	3,249	361%
10/01/05	16,019	24,141	8,122	66%	2,982	272%
10/01/04	15,025	21,605	6,580	70%	2,760	238%

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

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
9/30/09	\$ 2,076	1,288	1,391	129%
9/30/08	1,628	888	776 *	102%
9/30/07	1,253	573	776 *	108%
9/30/06	976	288	709 *	102%
9/30/05	831	126	709 *	100%
9/30/04	682	111	709 *	120%

* Baseline amount per Chapter 175, F.S.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2009

(Unaudited)

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
9/30/09	\$ -	2,614	2,614	0%	28,864	9%

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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 a specific City project.

Public Arts Fund

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

Confiscated Properties Fund

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

Capital Projects Funds

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

41-10 Public Open Space Fund

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

Parking Trust Fund

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

Impact Fee Fund

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

Land Conservation Trust Fund

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

East Naples Bay District

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

Moorings Bay District

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

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2009

	Special Revenue Funds	Capital Project Funds	Total
Assets:			
Cash and investments	\$ 5,256,348	3,784,714	9,041,062
Accounts receivable	3,620	-	3,620
Accrued interest	17,325	12,204	29,529
Due from other governments	40,730	1	40,731
Total assets	<u>\$ 5,318,023</u>	<u>3,796,919</u>	<u>9,114,942</u>
Liabilities:			
Accounts payable	\$ 75,808	22,219	98,027
Accrued payroll	78,483	-	78,483
Due to other funds	31,501	-	31,501
Customer deposits	11,868	-	11,868
Deferred revenue	3,620	-	3,620
Total liabilities	<u>201,280</u>	<u>22,219</u>	<u>223,499</u>
Fund balances:			
Reserved for encumbrances	29,839	39,780	69,619
Unreserved:			
Designated for other purposes	186,266	400,322	586,588
Undesignated	4,900,638	3,334,598	8,235,236
Total fund balances	<u>5,116,743</u>	<u>3,774,700</u>	<u>8,891,443</u>
Total liabilities and fund balances	<u>\$ 5,318,023</u>	<u>3,796,919</u>	<u>9,114,942</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended September 30, 2009

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
Revenues:			
Taxes – property	\$ -	277,220	277,220
Permits, fees, and assessments	2,167,195	35,870	2,203,065
Intergovernmental	118,691	-	118,691
Charges for services	271,522	-	271,522
Fines and forfeitures	35,804	-	35,804
Interest	100,281	90,015	190,296
Donations	83,101	-	83,101
Miscellaneous	6,055	-	6,055
	<u>2,782,649</u>	<u>403,105</u>	<u>3,185,754</u>
Total revenues			
Expenditures:			
Current:			
General government	8,712	2,386	11,098
Public safety	3,223,276	23,032	3,246,308
Economic and physical development	-	197,335	197,335
Culture and recreation	23,828	-	23,828
Capital outlay:			
Public safety	126,391	-	126,391
Economic and physical development	118,691	-	118,691
	<u>3,500,898</u>	<u>222,753</u>	<u>3,723,651</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(718,249)</u>	<u>180,352</u>	<u>(537,897)</u>
Other financing sources:			
Transfers in:	-	100,000	100,000
Proceeds from sale of capital assets	2,599	-	2,599
	<u>2,599</u>	<u>100,000</u>	<u>102,599</u>
Total other financing sources			
Change in fund balances	<u>(715,650)</u>	<u>280,352</u>	<u>(435,298)</u>
Fund balances – beginning of year	<u>5,832,393</u>	<u>3,494,348</u>	<u>9,326,741</u>
Fund balances – end of year	<u>\$ 5,116,743</u>	<u>3,774,700</u>	<u>8,891,443</u>

CITY OF NAPLES, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Special Revenue Funds
September 30, 2009

	Building and Zoning Fund	Community Development Block Grant	Improvement Fund
Assets:			
Cash and investments	\$ 4,831,233	-	176,647
Accounts receivable	-	-	3,620
Accrued interest	17,268	-	-
Due from other governments	-	40,730	-
Total assets	\$ 4,848,501	40,730	180,267
Liabilities:			
Accounts payable	\$ 66,892	-	510
Accrued payroll	78,483	-	-
Due to other funds	-	31,501	-
Customer deposits	-	-	-
Deferred revenue	-	-	3,620
Total liabilities	145,375	31,501	4,130
Fund balances:			
Reserved for encumbrances	29,839	-	-
Unreserved:			
Designated for other purposes	-	-	176,137
Undesignated	4,673,287	9,229	-
Total fund balances	4,703,126	9,229	176,137
Total liabilities and fund balances	\$ 4,848,501	40,730	180,267

Public Arts Fund	Confiscated Properties Fund	Total Nonmajor Special Revenue
62,044	186,424	5,256,348
-	-	3,620
57	-	17,325
-	-	40,730
<u>62,101</u>	<u>186,424</u>	<u>5,318,023</u>
-	8,406	75,808
-	-	78,483
-	-	31,501
11,868	-	11,868
-	-	3,620
<u>11,868</u>	<u>8,406</u>	<u>201,280</u>
-	-	29,839
10,129	-	186,266
40,104	178,018	4,900,638
<u>50,233</u>	<u>178,018</u>	<u>5,116,743</u>
<u>62,101</u>	<u>186,424</u>	<u>5,318,023</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Special Revenue Funds

Year ended September 30, 2009

	Building and Zoning Fund	Community Development Block Grant	Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Permits, fees, and assessments	\$ 2,167,195	-	-
Intergovernmental	-	118,691	-
Charges for services	223,239	10,000	-
Fines and forfeitures	-	-	-
Interest	96,009	-	-
Donations	-	-	83,101
Miscellaneous	6,055	-	-
Total revenues	<u>2,492,498</u>	<u>128,691</u>	<u>83,101</u>
Expenditures:			
Current:			
General government	-	-	8,712
Public safety	3,156,407	-	33,892
Culture and recreation	-	-	23,828
Capital outlay:			
Public safety	10,656	-	-
Economic and physical development	-	118,691	-
Total expenditures	<u>3,167,063</u>	<u>118,691</u>	<u>66,432</u>
Excess (deficiency) of revenues over (under) expenditures	(674,565)	10,000	16,669
Other financing sources:			
Proceeds from sale of capital assets	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	(674,565)	10,000	16,669
Fund balances (deficit) – beginning of year	<u>5,377,691</u>	<u>(771)</u>	<u>159,468</u>
Fund balances – end of year	<u>\$ 4,703,126</u>	<u>9,229</u>	<u>176,137</u>

Public Arts Fund	Confiscated Properties Fund	Total Nonmajor Special Revenue
-	-	2,167,195
-	-	118,691
38,283	-	271,522
-	35,804	35,804
672	3,600	100,281
-	-	83,101
-	-	6,055
<u>38,955</u>	<u>39,404</u>	<u>2,782,649</u>
-	-	8,712
-	32,977	3,223,276
-	-	23,828
-	115,735	126,391
-	-	118,691
<u>-</u>	<u>148,712</u>	<u>3,500,898</u>
38,955	(109,308)	(718,249)
<u>-</u>	<u>2,599</u>	<u>2,599</u>
<u>-</u>	<u>2,599</u>	<u>2,599</u>
38,955	(106,709)	(715,650)
<u>11,278</u>	<u>284,727</u>	<u>5,832,393</u>
<u><u>50,233</u></u>	<u><u>178,018</u></u>	<u><u>5,116,743</u></u>

CITY OF NAPLES, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Capital Projects Funds
September 30, 2009

	41-10 Public Open Space Fund	Parking Trust Fund	Impact Fee Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 587,992	422,890	131,458
Accrued interest	783	563	204
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 588,775</u>	<u>423,453</u>	<u>131,662</u>
Liabilities:			
Accounts payable	<u>\$ -</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for encumbrances	-	-	-
Unreserved:			
Designated for other purposes	-	400,322	-
Undesignated	<u>588,775</u>	<u>23,131</u>	<u>131,662</u>
Total fund balances	<u>588,775</u>	<u>423,453</u>	<u>131,662</u>
Total liabilities and fund balances	<u>\$ 588,775</u>	<u>423,453</u>	<u>131,662</u>

Land Conservation Trust	East Naples Bay District	Moorings Bay District	Total Nonmajor Capital Projects
750,121	899,180	993,073	3,784,714
3,731	3,464	3,459	12,204
-	1	-	1
<u>753,852</u>	<u>902,645</u>	<u>996,532</u>	<u>3,796,919</u>
-	4,110	18,109	22,219
-	4,110	18,109	22,219
-	39,780	-	39,780
-	-	-	400,322
<u>753,852</u>	<u>858,755</u>	<u>978,423</u>	<u>3,334,598</u>
<u>753,852</u>	<u>898,535</u>	<u>978,423</u>	<u>3,774,700</u>
<u>753,852</u>	<u>902,645</u>	<u>996,532</u>	<u>3,796,919</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Capital Projects Funds

Year ended September 30, 2009

	41-10 Public Open Space Fund	Parking Trust Fund	Impact Fee Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes - property	\$ -	-	-
Permits, fees, and assessments	-	-	35,870
Interest	15,285	11,309	1,388
	<u>15,285</u>	<u>11,309</u>	<u>1,388</u>
Total revenues	<u>15,285</u>	<u>11,309</u>	<u>37,258</u>
Expenditures:			
Current:			
General government	-	-	2,386
Public safety	-	-	23,032
Economic and physical development	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>25,418</u>
Excess of revenues over expenditures	15,285	11,309	11,840
Other financing sources:			
Transfers in:	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	15,285	11,309	11,840
Fund balances – beginning of year	<u>573,490</u>	<u>412,144</u>	<u>119,822</u>
Fund balances – end of year	<u><u>\$ 588,775</u></u>	<u><u>423,453</u></u>	<u><u>131,662</u></u>

Land Conservation Trust	East Naples Bay District	Moorings Bay District	Total Nonmajor Capital Projects
-	241,843	35,377	277,220
-	-	-	35,870
17,521	22,519	21,993	90,015
17,521	264,362	57,370	403,105
-	-	-	2,386
-	-	-	23,032
-	160,635	36,700	197,335
-	160,635	36,700	222,753
17,521	103,727	20,670	180,352
100,000	-	-	100,000
100,000	-	-	100,000
117,521	103,727	20,670	280,352
636,331	794,808	957,753	3,494,348
753,852	898,535	978,423	3,774,700

CITY OF NAPLES, FLORIDA

Nonmajor Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year ended September 30, 2009

	Building and Zoning Fund			
	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Permits, fees, and assessments	\$ 2,882,000	2,157,155	2,167,195	10,040
Intergovernmental	-	-	-	-
Charges for services	221,698	221,698	223,239	1,541
Fines and forfeitures	-	-	-	-
Interest	122,500	122,500	96,009	(26,491)
Miscellaneous	-	-	6,055	6,055
Total revenues	<u>3,226,198</u>	<u>2,501,353</u>	<u>2,492,498</u>	<u>(8,855)</u>
Expenditures:				
Current:				
Public safety	3,461,353	3,470,800	3,156,407	314,393
Capital outlay:				
Public safety	40,000	72,430	10,656	61,774
Economic and physical development	-	-	-	-
Total expenditures	<u>3,501,353</u>	<u>3,543,230</u>	<u>3,167,063</u>	<u>376,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(275,155)</u>	<u>(1,041,877)</u>	<u>(674,565)</u>	<u>367,312</u>
Other financing sources:				
Proceeds from the sale of capital assets	-	-	-	-
Change in fund balances	(275,155)	(1,041,877)	(674,565)	367,312
Fund balances – beginning of year	<u>5,377,691</u>	<u>5,377,691</u>	<u>5,377,691</u>	-
Fund balances – end of year	\$ <u><u>5,102,536</u></u>	<u><u>4,335,814</u></u>	<u><u>4,703,126</u></u>	<u><u>367,312</u></u>

Community Development Block Grant				Confiscated Properties Fund			
Original budget	Final budget	Actual	Variance with final budget positive (negative)	Original budget	Final budget	Actual	Variance with final budget positive (negative)
-	-	-	-	-	-	-	-
111,802	111,802	118,691	6,889	-	-	-	-
-	-	10,000	10,000	-	-	-	-
-	-	-	-	-	-	35,804	35,804
-	-	-	-	-	-	3,600	3,600
-	-	-	-	-	-	-	-
111,802	111,802	128,691	16,889	-	-	39,404	39,404
-	-	-	-	-	70,000	32,977	37,023
-	-	-	-	-	180,450	115,735	64,715
111,802	210,496	118,691	91,805	-	-	-	-
111,802	210,496	118,691	91,805	-	250,450	148,712	101,738
-	(98,694)	10,000	108,694	-	(250,450)	(109,308)	141,142
-	-	-	-	-	-	2,599	2,599
-	(98,694)	10,000	108,694	-	(250,450)	(106,709)	143,741
(771)	(771)	(771)	-	284,727	284,727	284,727	-
(771)	(99,465)	9,229	108,694	284,727	34,277	178,018	143,741

CITY OF NAPLES, FLORIDA
 Nonmajor Capital Projects Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year ended September 30, 2009

	East Naples Bay District			Variance with final budget positive (negative)
	Original budget	Final budget	Actual	
Revenues:				
Taxes:				
Property	\$ 239,762	239,762	241,843	2,081
Intergovernmental	-	-	-	-
Interest	18,700	18,700	22,519	3,819
Total revenues	<u>258,462</u>	<u>258,462</u>	<u>264,362</u>	<u>5,900</u>
Expenditures:				
Current:				
Economic and physical development	50,220	235,645	160,635	75,010
Capital outlay:				
Economic and physical development	-	-	-	-
Total expenditures	<u>50,220</u>	<u>235,645</u>	<u>160,635</u>	<u>75,010</u>
Excess (deficiency) of revenues over(under) expenditures	208,242	22,817	103,727	80,910
Fund balances – beginning of year	794,808	794,808	794,808	-
Fund balances – end of year	<u>\$ 1,003,050</u>	<u>817,625</u>	<u>898,535</u>	<u>80,910</u>

Moorings Bay District

Original budget	Final budget	Actual	Variance with final budget positive (negative)
35,039	35,039	35,377	338
750,000	750,000	-	(750,000)
22,600	22,600	21,993	(607)
<u>807,639</u>	<u>807,639</u>	<u>57,370</u>	<u>(750,269)</u>
40,250	58,450	36,700	21,750
<u>800,000</u>	<u>781,800</u>	-	<u>781,800</u>
<u>840,250</u>	<u>840,250</u>	<u>36,700</u>	<u>803,550</u>
(32,611)	(32,611)	20,670	53,281
<u>957,753</u>	<u>957,753</u>	<u>957,753</u>	-
<u><u>925,142</u></u>	<u><u>925,142</u></u>	<u><u>978,423</u></u>	<u><u>53,281</u></u>

CITY OF NAPLES, FLORIDA

Debt Service Fund

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

Year ended September 30, 2009

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Ad valorem	\$ 577,853	577,853	580,252	2,399
Utility	2,392,001	2,392,001	2,555,709	163,708
Interest	<u>50,000</u>	<u>50,000</u>	<u>18,344</u>	<u>(31,656)</u>
Total revenues	<u>3,019,854</u>	<u>3,019,854</u>	<u>3,154,305</u>	<u>134,451</u>
Expenditures:				
Current:				
General government	<u>70,424</u>	<u>70,424</u>	<u>116,761</u>	<u>(46,337)</u>
Total general government	<u>70,424</u>	<u>70,424</u>	<u>116,761</u>	<u>(46,337)</u>
Debt service:				
Principal	1,500,000	1,500,000	1,497,000	3,000
Interest and fiscal charges	<u>1,111,113</u>	<u>1,170,613</u>	<u>1,029,902</u>	<u>140,711</u>
Total debt service	<u>2,611,113</u>	<u>2,670,613</u>	<u>2,526,902</u>	<u>143,711</u>
Total expenditures	<u>2,681,537</u>	<u>2,741,037</u>	<u>2,643,663</u>	<u>97,374</u>
Excess of revenues over expenditures	<u>338,317</u>	<u>278,817</u>	<u>510,642</u>	<u>231,825</u>
Other financing sources (uses):				
Transfers in	1,055,065	1,055,065	1,065,436	10,371
Transfers out	(1,393,400)	(8,193,900)	(8,198,272)	(4,372)
Debt issued	<u>-</u>	<u>6,860,000</u>	<u>6,860,000</u>	<u>-</u>
Total other financing sources (uses)	<u>(338,335)</u>	<u>(278,835)</u>	<u>(272,836)</u>	<u>5,999</u>
Change in fund balances	(18)	(18)	237,806	237,824
Fund balances – beginning of year	<u>2,464,939</u>	<u>2,464,939</u>	<u>2,464,939</u>	<u>-</u>
Fund balances – end of year	<u>\$ 2,464,921</u>	<u>2,464,921</u>	<u>2,702,745</u>	<u>237,824</u>

CITY OF NAPLES, FLORIDA

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year ended September 30, 2009

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Permits, fees, and assessments	\$ -	-	415,228	415,228
Intergovernmental	283,500	-	13,130	13,130
Special assessments	46,000	46,000	-	(46,000)
Interest	124,000	124,000	266,983	142,983
Miscellaneous	35,000	35,000	-	(35,000)
Total revenues	<u>488,500</u>	<u>205,000</u>	<u>695,341</u>	<u>490,341</u>
Expenditures:				
Current:				
General government	131,250	131,250	131,250	-
Total general government	<u>131,250</u>	<u>131,250</u>	<u>131,250</u>	<u>-</u>
Capital projects:				
Finance	-	-	3,229	(3,229)
Fire	404,600	90,853	85,194	5,659
Police	1,014,425	1,118,027	480,470	637,557
Natural resources	-	62,504	54,430	8,074
Transportation	100,000	161,051	40,088	120,963
Community services	255,000	444,445	387,641	56,804
Nondepartmental	450,000	586,826	514,274	72,552
Total capital projects	<u>2,224,025</u>	<u>2,463,706</u>	<u>1,565,326</u>	<u>898,380</u>
Total expenditures	<u>2,355,275</u>	<u>2,594,956</u>	<u>1,696,576</u>	<u>898,380</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,866,775)</u>	<u>(2,389,956)</u>	<u>(1,001,235)</u>	<u>1,388,721</u>
Other financing sources:				
Transfers in	1,540,972	1,540,972	1,393,400	(147,572)
Transfers out	(1,170,000)	(1,258,044)	(1,258,043)	1
Proceeds from sale of capital assets	-	-	127,694	127,694
Total other financing sources	<u>370,972</u>	<u>282,928</u>	<u>263,051</u>	<u>(19,877)</u>
Net changes in fund balances	<u>(1,495,803)</u>	<u>(2,107,028)</u>	<u>(738,184)</u>	<u>1,368,844</u>
Fund balances – beginning of year	6,784,405	6,784,405	6,784,405	-
Fund balances – end of year	<u>\$ 5,288,602</u>	<u>4,677,377</u>	<u>6,046,221</u>	<u>1,368,844</u>

CITY OF NAPLES, FLORIDA

Community Redevelopment Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year ended September 30, 2009

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Ad valorem	\$ 778,951	778,951	778,951	-
Intergovernmental	2,359,983	2,281,571	2,186,571	(95,000)
Charges for services	300,000	-	-	-
Interest	125,000	75,000	130,095	55,095
Miscellaneous	-	-	1,672	1,672
Total revenues	<u>3,563,934</u>	<u>3,135,522</u>	<u>3,097,289</u>	<u>(38,233)</u>
Expenditures:				
Current:				
Economic development	1,414,292	1,436,648	1,160,443	276,205
Capital Outlay:				
Economic development	505,000	4,510,783	4,187,878	322,905
Debt service:				
Interest	-	-	36,617	(36,617)
Total expenditures	<u>1,919,292</u>	<u>5,947,431</u>	<u>5,384,938</u>	<u>562,493</u>
Excess of expenditures over revenues	<u>1,644,642</u>	<u>(2,811,909)</u>	<u>(2,287,649)</u>	<u>524,260</u>
Other financing sources (uses):				
Transfers in	12,038	12,038	6,816,910	6,804,872
Transfers out	<u>(1,424,109)</u>	<u>(1,424,109)</u>	<u>(1,065,436)</u>	<u>358,673</u>
Total other financing sources (uses)	<u>(1,412,071)</u>	<u>(1,412,071)</u>	<u>5,751,474</u>	<u>7,163,545</u>
Net changes in fund balances	232,571	(4,223,980)	3,463,825	7,687,805
Fund balances – beginning of year	<u>(271,501)</u>	<u>(271,501)</u>	<u>(271,501)</u>	-
Fund balances – end of year	<u>\$ (38,930)</u>	<u>(4,495,481)</u>	<u>3,192,324</u>	<u>7,687,805</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, 2009

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Motor fuel taxes	\$ 1,340,000	1,340,000	1,393,025	53,025
Permits, fees, and assessments	200,000	200,000	200,000	-
Intergovernmental	335,453	335,453	376,014	40,561
Interest	78,000	78,000	101,228	23,228
Miscellaneous	5,000	5,000	96,568	91,568
Total revenues	<u>1,958,453</u>	<u>1,958,453</u>	<u>2,166,835</u>	<u>208,382</u>
Expenditures:				
Current:				
Transportation:	2,532,485	2,634,105	2,116,889	517,216
Capital outlay:				
Transportation:	710,000	1,548,546	1,016,273	532,273
Total expenditures	<u>3,242,485</u>	<u>4,182,651</u>	<u>3,133,162</u>	<u>1,049,489</u>
Excess of expenditures over revenues	<u>(1,284,032)</u>	<u>(2,224,198)</u>	<u>(966,327)</u>	<u>1,257,871</u>
Other financing sources:				
Transfers in	573,335	573,335	500,000	(73,335)
Proceeds from sale of capital assets	-	-	681	681
Total other financing sources	<u>573,335</u>	<u>573,335</u>	<u>500,681</u>	<u>(72,654)</u>
Net changes in fund balances	<u>(710,697)</u>	<u>(1,650,863)</u>	<u>(465,646)</u>	<u>1,185,217</u>
Fund balances – beginning of year	4,906,365	4,906,365	4,906,365	-
Fund balances – end of year	<u>\$ 4,195,668</u>	<u>3,255,502</u>	<u>4,440,719</u>	<u>1,185,217</u>

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Nonmajor Enterprise Funds

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

Naples Beach Fund

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

City Dock Fund

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

Tennis Fund

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

CITY OF NAPLES, FLORIDA
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2009

Assets	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>	<u>Tennis Fund</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 943,155	145,318	251,153	1,339,626
Restricted cash and investments	-	-	16,415	16,415
Receivables (net, where applicable, of allowance for uncollectible):				
Accounts	69,591	17,230	-	86,821
Miscellaneous	-	735	-	735
Accrued interest	1,881	88	870	2,839
Due from other governments	99,740	842	-	100,582
Inventories	-	13,462	8,160	21,622
Total current assets	<u>1,114,367</u>	<u>177,675</u>	<u>276,598</u>	<u>1,568,640</u>
Capital assets:				
Buildings and utility plants	1,121,615	89,487	703,269	1,914,371
Improvements other than buildings	4,369,193	2,387,824	49,789	6,806,806
Equipment	707,308	367,461	21,829	1,096,598
Accumulated depreciation	(4,754,388)	(2,430,569)	(374,289)	(7,559,246)
Net capital assets	<u>1,443,728</u>	<u>414,203</u>	<u>400,598</u>	<u>2,258,529</u>
Unamortized issuance cost	-	-	1,673	1,673
Total assets	<u>\$ 2,558,095</u>	<u>591,878</u>	<u>678,869</u>	<u>3,828,842</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Net Assets

Nonmajor Enterprise Funds

September 30, 2009

Liabilities	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current liabilities:				
Accounts payable	\$ 14,437	113,742	3,318	131,497
Accrued payroll and personnel leave	30,732	5,402	9,270	45,404
Deferred revenue	64,812	26,802	-	91,614
Customer deposits	-	18,497	-	18,497
Current portion of compensated absences	2,000	3,680	3,548	9,228
Current maturities of long-term debt	-	-	37,500	37,500
Total current liabilities	<u>111,981</u>	<u>168,123</u>	<u>53,636</u>	<u>333,740</u>
Current liabilities (payable from restricted assets):				
Current maturities of long-term debt	-	-	12,500	12,500
Accrued interest payable	-	-	3,915	3,915
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>-</u>	<u>16,415</u>	<u>16,415</u>
Noncurrent liabilities:				
Revenue bonds payable, less current maturities net of unamortized discounts and premiums	-	-	300,000	300,000
Other post-employment benefits	3,153	423	644	4,220
Compensated absences	39,970	2,965	14,285	57,220
Total noncurrent liabilities	<u>43,123</u>	<u>3,388</u>	<u>314,929</u>	<u>361,440</u>
Total liabilities	<u>155,104</u>	<u>171,511</u>	<u>384,980</u>	<u>711,595</u>
Net Assets				
Invested in capital assets, net of related debt	1,443,728	414,203	50,598	1,908,529
Unrestricted	959,263	6,164	243,291	1,208,718
Total net assets	<u>\$ 2,402,991</u>	<u>420,367</u>	<u>293,889</u>	<u>3,117,247</u>

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CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenses and Changes in Fund Balances

Nonmajor Enterprise Funds

Year ended September 30, 2009

	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Operating revenues:				
Charges for services	\$ 1,071,798	1,078,547	548,984	2,699,329
Total operating revenues	<u>1,071,798</u>	<u>1,078,547</u>	<u>548,984</u>	<u>2,699,329</u>
Operating expenses:				
Personal services	763,081	196,133	209,979	1,169,193
Supplies and services	183,605	723,723	163,673	1,071,001
Utilities	80,170	67,088	7,288	154,546
Depreciation and amortization	451,700	118,564	45,917	616,181
General administration	207,000	144,428	32,000	383,428
Other	69,964	-	32,552	102,516
Total operating expenses	<u>1,755,520</u>	<u>1,249,936</u>	<u>491,409</u>	<u>3,496,865</u>
Operating income (loss)	<u>(683,722)</u>	<u>(171,389)</u>	<u>57,575</u>	<u>(797,536)</u>
Nonoperating revenues (expenses):				
Operating grants	501,525	-	-	501,525
Interest income	16,706	1,571	5,230	23,507
Interest expense	-	-	(8,328)	(8,328)
Gain on sale of capital assets	14,326	1,674	-	16,000
Total nonoperating revenues (expenses)	<u>532,557</u>	<u>3,245</u>	<u>(3,098)</u>	<u>532,704</u>
Income (loss) before contributions and transfers	<u>(151,165)</u>	<u>(168,144)</u>	<u>54,477</u>	<u>(264,832)</u>
Capital contributions	152,760	-	-	152,760
Transfers in	-	185,176	-	185,176
Transfers out (payment in lieu of taxes)	-	(107,015)	-	(107,015)
Change in net assets	<u>1,595</u>	<u>(89,983)</u>	<u>54,477</u>	<u>(33,911)</u>
Net assets – beginning of year	<u>2,401,396</u>	<u>510,350</u>	<u>239,412</u>	<u>3,151,158</u>
Net assets – end of year	<u>\$ 2,402,991</u>	<u>420,367</u>	<u>293,889</u>	<u>3,117,247</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year ended September 30, 2009

	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,074,982	1,061,933
Cash payments to suppliers	(349,581)	(719,272)
Cash payments for benefits on behalf of employees	(745,060)	(205,870)
Cash payments for interfund services	(207,000)	(144,428)
Net cash provided by (used in) operating activities	<u>(226,659)</u>	<u>(7,637)</u>
Cash flows from noncapital financing activities:		
Transfers	-	78,161
Operating grants	687,582	-
Net cash provided by noncapital financing activities	<u>687,582</u>	<u>78,161</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	-	-
Interest paid on long-term debt	-	-
Capital contributions	152,760	-
Proceeds from sale of capital assets	14,326	1,674
Acquisition and construction of capital assets	(68,073)	(160,048)
Net cash provided by (used in) capital and related financing activities	<u>99,013</u>	<u>(158,374)</u>
Cash flows from investing activities:		
Interest and investment earnings	17,529	3,287
Net cash provided by investing activities	<u>17,529</u>	<u>3,287</u>
Net increase (decrease) in cash and cash equivalents	577,465	(84,563)
Cash and cash equivalents – beginning of year	<u>365,690</u>	<u>229,881</u>
Cash and cash equivalents – end of year	<u>\$ 943,155</u>	<u>145,318</u>

Tennis Fund	Total
548,984	2,685,899
(209,573)	(1,278,426)
(206,949)	(1,157,879)
(32,000)	(383,428)
<u>100,462</u>	<u>(133,834)</u>
-	78,161
<u>-</u>	<u>687,582</u>
-	765,743
(50,000)	(50,000)
(8,840)	(8,840)
-	152,760
-	16,000
<u>(12,524)</u>	<u>(240,645)</u>
<u>(71,364)</u>	<u>(130,725)</u>
<u>6,593</u>	<u>27,409</u>
<u>6,593</u>	<u>27,409</u>
35,691	528,593
<u>231,877</u>	<u>827,448</u>
<u><u>267,568</u></u>	<u><u>1,356,041</u></u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year ended September 30, 2009

	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (683,722)	(171,389)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	451,700	118,564
Changes in assets and liabilities:		
Decrease (increase) in receivables, net	(42,645)	3,999
Decrease (increase) in due from other governments	-	(842)
Decrease (increase) in inventories	-	14,836
Increase (decrease) in accounts payable	(15,842)	56,703
Increase (decrease) in accrued payroll / personal leave	229	(5,125)
Increase (decrease) in deferred revenue	47,335	(11,682)
Increase (decrease) in customer deposits	(1,506)	(8,089)
Increase (decrease) in other post-employment benefits	3,153	423
Increase (decrease) in compensated absences	14,639	(5,035)
Net cash provided by (used in) operating activities	<u>\$ (226,659)</u>	<u>(7,637)</u>

<u>Tennis Fund</u>	<u>Total</u>
57,575	(797,536)
45,917	616,181
-	(38,646)
-	(842)
(1,489)	13,347
(4,571)	36,290
350	(4,546)
-	35,653
-	(9,595)
644	4,220
2,036	11,640
<u>100,462</u>	<u>(133,834)</u>

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Internal Service Funds

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

Equipment Services Fund

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

Risk Management Fund

To account for the costs of operating a risk management self-insurance fund.

Health Benefits Fund

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

Construction Management Fund

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

Technology Services

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

CITY OF NAPLES, FLORIDA
Combining Statement of Net Assets
Internal Service Funds
September 30, 2009

Assets	Equipment services	Risk management
Current assets:		
Cash and investments	\$ 154,961	4,162,658
Receivables – miscellaneous	-	-
Accrued interest	-	9,427
Due from other governments	6,745	-
Inventories	142,234	-
Total current assets	303,940	4,172,085
Capital assets:		
Buildings	779,289	-
Equipment	267,830	36,795
Accumulated depreciation	(360,739)	(35,850)
Net capital assets	686,380	945
Total assets	990,320	4,173,030
Liabilities		
Current liabilities:		
Accounts payable	88,932	58,988
Accrued payroll and personal leave	32,457	6,031
Deferred revenue	-	149
Total current liabilities	121,389	65,168
Noncurrent liabilities:		
Due within one year:		
Compensated absences	7,386	1,500
Insurance claims payable	-	558,000
Due in more than one year:		
Compensated absences	46,861	2,533
Other post-employment benefits	2,821	265
Insurance claims payable	-	1,940,000
Total noncurrent liabilities	57,068	2,502,298
Total liabilities	178,457	2,567,466
Net Assets		
Invested in capital assets, net of related debt	686,380	945
Unrestricted	125,483	1,604,619
Total net assets	\$ 811,863	1,605,564

Health benefits	Construction management	Technology services	Total
1,500,251	-	1,041,415	6,859,285
5,013	-	-	5,013
6,409	-	3,168	19,004
-	-	-	6,745
-	-	-	142,234
1,511,673	-	1,044,583	7,032,281
-	-	51,957	831,246
-	-	1,675,547	1,980,172
-	-	(1,340,670)	(1,737,259)
-	-	386,834	1,074,159
1,511,673	-	1,431,417	8,106,440
27,333	-	24,259	199,512
-	-	50,104	88,592
2,478	-	-	2,627
29,811	-	74,363	290,731
-	-	6,700	15,586
405,000	-	-	963,000
-	-	86,326	135,720
-	-	2,611	5,697
-	-	-	1,940,000
405,000	-	95,637	3,060,003
434,811	-	170,000	3,350,734
-	-	386,834	1,074,159
1,076,862	-	874,583	3,681,547
1,076,862	-	1,261,417	4,755,706

CITY OF NAPLES, FLORIDA

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

Internal Service Funds

Year ended September 30, 2009

	<u>Equipment services</u>	<u>Risk management</u>	<u>Health benefits</u>
Operating revenues:			
Charges for services	\$ 2,469,623	2,934,188	6,016,921
Operating expenses:			
Personal services	720,172	124,175	-
Supplies, services, and claims	576,019	2,574,282	6,473,318
Materials	773,379	-	-
Utilities	29,478	-	-
Depreciation and amortization	86,246	945	-
General administration	139,125	68,775	37,275
Other	3,770	5,243	-
Total operating expenses	<u>2,328,189</u>	<u>2,773,420</u>	<u>6,510,593</u>
Operating income (loss)	141,434	160,768	(493,672)
Nonoperating revenues:			
Interest income	978	70,410	34,974
Loss on sale of capital assets	-	-	-
Net income (loss) before transfers	<u>142,412</u>	<u>231,178</u>	<u>(458,698)</u>
Transfer in	-	-	-
Change in net assets	<u>142,412</u>	<u>231,178</u>	<u>(458,698)</u>
Net assets (deficit) – beginning of year	<u>669,451</u>	<u>1,374,386</u>	<u>1,535,560</u>
Net assets – end of year	\$ <u><u>811,863</u></u>	<u><u>1,605,564</u></u>	<u><u>1,076,862</u></u>

Construction management	Technology services	Total
-	2,020,814	13,441,546
-	1,020,776	1,865,123
-	677,520	10,301,139
-	-	773,379
-	-	29,478
-	211,637	298,828
-	94,238	339,413
-	-	9,013
-	2,004,171	13,616,373
-	16,643	(174,827)
-	23,240	129,602
-	(6,357)	(6,357)
-	33,526	(51,582)
88,043	-	88,043
88,043	33,526	36,461
(88,043)	1,227,891	4,719,245
-	1,261,417	4,755,706

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year ended September 30, 2009

	<u>Equipment services</u>	<u>Risk management</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,468,277	3,068,550
Cash payments to suppliers for goods and services	(1,375,169)	(2,145,392)
Cash payments to employees for services	(709,235)	(121,483)
Cash payments for interfund services	(139,125)	(68,775)
Net cash provided by (used in) operating activities	<u>244,748</u>	<u>732,900</u>
Cash flows from noncapital and related financing activities:		
Transfers in (out)	<u>-</u>	<u>-</u>
Net cash provided by noncapital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from transfers/disposal of fixed assets	-	-
Acquisition and construction of capital assets	(96,343)	-
Net cash used in capital and related financing activities	<u>(96,343)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on pooled cash and investments	<u>978</u>	<u>87,209</u>
Net cash provided by investing activities	<u>978</u>	<u>87,209</u>
Net increase (decrease) in cash and cash equivalents	149,383	820,109
Cash and cash equivalents – beginning of year	<u>5,578</u>	<u>3,342,549</u>
Cash and cash equivalents – end of year	<u>\$ 154,961</u>	<u>4,162,658</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 141,434	160,768
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	86,246	945
Changes in assets and liabilities:		
(Increase) decrease in miscellaneous receivables	-	134,213
(Increase) decrease in due from other governments	(1,346)	-
(Increase) decrease in inventories	(9,967)	-
Increase (decrease) in accounts payable	17,444	(30,867)
Increase (decrease) in accrued payroll and personal leave	1,499	658
Increase (decrease) in deferred revenue	-	149
Increase (decrease) in insurance claims payable	-	465,000
Increase (decrease) in other post-employment benefits	2,821	265
Increase (decrease) in compensated absences	6,617	1,769
Net cash provided by (used in) operating activities	<u>\$ 244,748</u>	<u>732,900</u>

Health benefits	Construction management	Technology services	Total
6,016,091	-	2,020,814	13,573,732
(6,538,227)	(470)	(723,068)	(10,782,326)
-	(101,383)	(1,006,765)	(1,938,866)
(37,275)	-	(94,238)	(339,413)
<u>(559,411)</u>	<u>(101,853)</u>	<u>196,743</u>	<u>513,127</u>
-	88,043	-	88,043
-	88,043	-	88,043
-	-	311	311
-	-	(212,510)	(308,853)
-	-	(212,199)	(308,542)
44,501	-	28,144	160,832
44,501	-	28,144	160,832
(514,910)	(13,810)	12,688	453,460
2,015,161	13,810	1,028,727	6,405,825
<u>1,500,251</u>	<u>-</u>	<u>1,041,415</u>	<u>6,859,285</u>
(493,672)	-	16,643	(174,827)
-	-	211,637	298,828
(1,093)	-	-	133,120
-	-	-	(1,346)
-	-	-	(9,967)
(36,909)	(470)	(45,548)	(96,350)
-	(101,383)	5,842	(93,384)
263	-	-	412
(28,000)	-	-	437,000
-	-	2,611	5,697
-	-	5,558	13,944
<u>(559,411)</u>	<u>(101,853)</u>	<u>196,743</u>	<u>513,127</u>

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Fiduciary Funds

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

General Pension Fund

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

Supplemental General Pension Fund

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

Managers' 401 Pension Fund

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

Police Officers' Pension Fund

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

Firefighters' Pension Fund

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

Agency Fund

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

CITY OF NAPLES, FLORIDA
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2009

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Assets:			
Cash and cash equivalents	\$ 1,670,473	-	-
Receivables:			
Accounts	-	-	-
Investments, at fair value:			
Corporate bonds	5,068,853	-	-
U.S. Government securities	2,874,057	-	-
Common stock	20,868,445	-	-
Mortgage - backed securities	2,319,749	-	-
Mutual funds	-	4,171,872	571,688
Total investments	<u>31,131,104</u>	<u>4,171,872</u>	<u>571,688</u>
Total assets	<u>32,801,577</u>	<u>4,171,872</u>	<u>571,688</u>
Liabilities:			
DROP payable	<u>233,425</u>	-	-
Total liabilities	<u>233,425</u>	-	-
Net assets:			
Held in trust for pension benefits	<u>\$ 32,568,152</u>	<u>4,171,872</u>	<u>571,688</u>

Pension Trust		
Police Officers' Pension Fund	Firefighters' Pension Fund	Total
1,551,680	1,687,815	4,909,968
-	298,354	298,354
4,124,518	3,627,118	12,820,489
2,154,453	2,141,915	7,170,425
15,576,916	13,683,573	50,128,934
1,903,490	1,685,182	5,908,421
-	-	4,743,560
<u>23,759,377</u>	<u>21,137,788</u>	<u>80,771,829</u>
<u>25,311,057</u>	<u>23,123,957</u>	<u>85,980,151</u>
-	-	233,425
-	-	233,425
<u><u>25,311,057</u></u>	<u><u>23,123,957</u></u>	<u><u>85,746,726</u></u>

CITY OF NAPLES, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended September 30, 2009

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Additions:			
Contributions:			
Employee contributions	\$ 810,764	356,965	65,398
Employer contributions	2,088,351	199,785	39,006
Direct state contributions	-	-	-
Total contributions	<u>2,899,115</u>	<u>556,750</u>	<u>104,404</u>
Investment earnings:			
Interest and dividend income	996,316	39,139	1,139
Net appreciation (depreciation) in fair value of investments	(173,492)	(3,466)	14,334
Less investment expense	<u>(151,749)</u>	<u>(10,173)</u>	<u>(237)</u>
Net investment earnings	<u>671,075</u>	<u>25,500</u>	<u>15,236</u>
Total additions	<u>3,570,190</u>	<u>582,250</u>	<u>119,640</u>
Deductions:			
Benefits paid	2,159,090	-	-
Refunds of contributions	297,471	365,145	105,801
General administration	<u>75,234</u>	<u>-</u>	<u>-</u>
Total deductions	<u>2,531,795</u>	<u>365,145</u>	<u>105,801</u>
Changes in net assets	1,038,395	217,105	13,839
Net assets – beginning of year	<u>31,529,757</u>	<u>3,954,767</u>	<u>557,849</u>
Net assets – end of year	<u><u>\$ 32,568,152</u></u>	<u><u>4,171,872</u></u>	<u><u>571,688</u></u>

Pension Trust		
Police Officers' Pension Fund	Firefighters' Pension Fund	Total
349,445	222,302	1,804,874
1,291,661	1,288,118	4,906,921
625,280	1,390,852	2,016,132
<u>2,266,386</u>	<u>2,901,272</u>	<u>8,727,927</u>
770,829	680,938	2,488,361
156,762	248,352	242,490
(96,063)	(98,675)	(356,897)
<u>831,528</u>	<u>830,615</u>	<u>2,373,954</u>
<u>3,097,914</u>	<u>3,731,887</u>	<u>11,101,881</u>
1,617,879	900,259	4,677,228
-	-	768,417
61,371	44,757	181,362
<u>1,679,250</u>	<u>945,016</u>	<u>5,627,007</u>
1,418,664	2,786,871	5,474,874
23,892,393	20,337,086	80,271,852
<u>25,311,057</u>	<u>23,123,957</u>	<u>85,746,726</u>

CITY OF NAPLES, FLORIDA

Statement of Changes in Assets and Liabilities – Agency Funds

Year ended September 30, 2009

	Balance October 1, 2008	Additions	Deductions	Balance October 1, 2009
Assets				
Cash	\$ 8,909	21,376,225	21,376,776	8,358
Total assets	<u>\$ 8,909</u>	<u>21,376,225</u>	<u>21,376,776</u>	<u>8,358</u>
Liabilities				
Accounts payable	\$ 8,909	21,376,225	21,376,776	8,358
Total liabilities	<u>\$ 8,909</u>	<u>21,376,225</u>	<u>21,376,776</u>	<u>8,358</u>

STATISTICAL SECTION (Unaudited)

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

Contents

Page

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. 148

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. 158

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. 168

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. 174

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. 176

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

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

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

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

Fiscal Year	
2008	2009
52,934,188	48,868,221
3,004,060	3,781,152
39,230,791	42,765,131
<u>95,169,039</u>	<u>95,414,504</u>
60,313,029	65,279,797
2,566,664	2,693,838
23,979,666	25,931,780
<u>86,859,359</u>	<u>93,905,415</u>
113,247,217	114,148,018
5,570,724	6,474,990
63,210,457	68,696,911
<u>182,028,398</u>	<u>189,319,919</u>

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

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

Fiscal Year	
2008	2009
8,140,789	6,668,512
24,409,251	25,633,909
2,588,477	2,925,902
3,394,912	3,520,363
8,584,195	7,733,570
830,822	1,033,650
<u>47,948,446</u>	<u>47,515,906</u>
23,625,071	24,816,306
5,835,401	5,501,931
1,833,201	2,088,938
4,177,236	3,505,193
<u>35,470,909</u>	<u>35,912,368</u>
<u>83,419,355</u>	<u>83,428,274</u>
1,310,847	1,043,665
4,492,028	3,571,827
387,922	12,397
74,884	-
881,822	819,228
2,633,209	2,978,768
2,350,214	1,202,496
<u>12,130,926</u>	<u>9,628,381</u>
25,299,408	28,219,062
6,369,866	6,294,650
2,890,146	4,467,178
917,236	1,071,798
1,767,944	1,078,547
575,121	548,984
646,891	501,525
3,358,210	2,057,101
<u>41,824,822</u>	<u>44,238,845</u>
<u>53,955,748</u>	<u>53,867,226</u>
(35,817,520)	(37,887,525)
<u>6,353,913</u>	<u>8,326,477</u>
<u>(29,463,607)</u>	<u>(29,561,048)</u>
	(Continued)

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

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

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

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

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

Fiscal Year	
2008	2009
19,415,799	19,729,516
4,170,227	4,476,921
1,949,641	2,016,132
1,404,690	1,393,025
274,487	247,021
3,740,236	3,971,657
3,160,311	2,863,565
2,043,294	1,345,826
45,489	17,461
-	88,496
<u>1,964,530</u>	<u>1,983,370</u>
<u>38,168,704</u>	<u>38,132,990</u>
831,090	566,730
-	136,219
(458,108)	-
<u>(1,964,530)</u>	<u>(1,983,370)</u>
<u>(1,591,548)</u>	<u>(1,280,421)</u>
<u>36,577,156</u>	<u>36,852,569</u>
2,351,184	245,465
<u>4,762,365</u>	<u>7,046,056</u>
<u>7,113,549</u>	<u>7,291,521</u>

Schedule 3
City of Naples
Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2000	2001	2002	2003	2004
General fund					
Reserved	\$ 3,490,447	3,596,323	3,672,155	3,726,578	3,974,214
Unreserved	1,134,219	1,380,837	1,154,208	2,114,052	3,140,889
Total general fund	<u>\$ 4,624,666</u>	<u>4,977,160</u>	<u>4,826,363</u>	<u>5,840,630</u>	<u>7,115,103</u>
All other governmental funds					
Reserved					
Special revenue funds	\$ 1,198,947	-	-	208,218	211,284
Capital projects funds	5,876,702	14,682,899	13,701,547	13,327,848	17,068,197
Debt service funds	444,735	817,618	1,320,027	1,210,197	1,420,125
Unreserved					
Special revenue funds	9,465	225,907	997,805	1,933,014	2,794,174
Capital projects funds	2,184,172	573,548	3,412,003	2,958,089	3,137,595
Debt service funds	-	-	-	349,416	260,260
Total other governmental funds	<u>\$ 9,714,021</u>	<u>16,299,972</u>	<u>19,431,382</u>	<u>19,986,782</u>	<u>24,891,635</u>

Fiscal Year				
2005	2006	2007	2008	2009
3,851,388	817,651	882,906	535,922	442,112
5,561,460	12,119,520	15,454,863	14,774,120	16,151,990
<u>9,412,848</u>	<u>12,937,171</u>	<u>16,337,769</u>	<u>15,310,042</u>	<u>16,594,102</u>
179,187	18,625	89,364	215,821	29,839
19,890,914	4,645,715	5,999,449	6,720,843	1,145,643
1,420,125	1,707,311	1,725,940	1,486,456	1,420,125
3,594,431	5,226,704	5,578,047	5,616,572	5,086,904
(362,701)	12,533,664	12,088,406	8,192,774	16,308,321
457,518	494,714	737,263	978,483	1,282,620
<u>25,179,474</u>	<u>24,626,733</u>	<u>26,218,469</u>	<u>23,210,949</u>	<u>25,273,452</u>

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

	Fiscal Year				
	2000	2001	2002	2003	2004
Revenues					
Taxes	\$ 13,846,688	16,204,981	19,020,097	20,653,811	21,642,718
Licenses, permits, fees, and assessments	2,243,164	2,127,794	2,881,466	2,687,224	3,092,953
Intergovernmental	4,157,645	4,688,744	8,067,873	5,254,668	5,558,406
Charges for services	784,988	1,031,482	1,337,358	1,506,150	1,692,378
Charges to other funds	3,787,636	4,001,900	4,125,700	4,459,952	3,713,502
Fines and forfeitures	475,883	426,039	260,495	410,760	348,265
Impact fees/special assessments	552,556	453,224	509,215	379,159	272,764
Interest	1,062,686	1,568,401	833,326	678,041	626,030
Contributions	-	-	-	141,580	111,169
Miscellaneous	743,232	120,939	574,301	561,071	1,065,765
Total Revenues	27,654,478	30,623,504	37,609,831	36,732,416	38,123,950
Expenditures					
General government	5,921,852	6,709,873	7,916,054	6,568,239	7,555,904
Public safety	13,065,125	13,161,699	12,708,737	13,944,299	14,990,292
Physical and economic environment	1,032,437	980,472	1,688,135	1,005,981	948,272
Transportation	-	-	-	2,729,772	1,911,489
Culture and recreation	3,929,822	4,199,158	4,676,969	4,715,056	4,959,763
Capital outlay	12,036,421	5,445,100	6,297,839	6,838,305	3,224,855
Debt service					
Principal	994,016	612,058	1,268,084	3,071,257	1,083,379
Interest and fiscal charges	637,160	1,477,080	1,299,815	1,215,697	1,118,359
Total Expenditures	37,616,833	32,585,440	35,855,633	40,088,606	35,792,313
Excess of revenues over/under expenditures	(9,962,355)	(1,961,936)	1,754,198	(3,356,190)	2,331,637
Other Financing Sources (uses):					
Debt issued	8,460,000	9,845,000	-	5,925,000	3,170,000
Payments to escrow agents	-	(2,370,000)	-	(2,965,529)	(5,021,684)
Transfers in	13,159,822	11,126,414	3,861,437	6,931,440	7,961,219
Transfers out	(11,561,622)	(9,670,521)	(2,701,577)	(5,273,414)	(6,269,219)
Sale of capital assets	20,129	-	-	72,636	4,007,373
Total other financing sources (uses)	10,078,329	8,930,893	1,159,860	4,690,133	3,847,689
Net change in fund balance	\$ 115,974	6,968,957	2,914,058	1,333,943	6,179,326
Debt Service as a percentage of noncapital expenditures	6.4%	7.7%	8.7%	12.9%	6.8%

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

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

Fiscal Year				
2005	2006	2007	2008	2009
23,305,625	25,601,739	32,177,018 (a)	27,214,844	27,862,615
2,931,552	3,787,831	3,717,384 (a)	6,953,495 (b)	6,856,060
8,015,980	16,974,405	7,883,654	7,761,199	5,856,457
2,009,871	1,824,433	2,373,059	2,327,605	2,020,389
3,748,880	3,806,515	3,966,100	4,165,504	4,093,450
553,888	578,562	374,950	405,342	338,037
368,576	710,951	424,364	366,627 (b)	-
971,187	1,833,114	2,603,304	1,806,496	1,216,224
263,988	70,505	59,716	62,715	83,101
432,022	1,159,105	153,338	73,568	115,701
<u>42,601,569</u>	<u>56,347,160</u>	<u>53,732,887</u>	<u>51,137,395</u>	<u>48,442,034</u>
7,516,247	15,131,257	9,591,067	11,377,879	9,688,213
17,606,607	18,988,238	21,481,323	23,479,974	24,792,638
1,333,438	1,734,495	1,579,013	1,813,934	1,775,115
1,351,547	1,421,391	2,820,205	2,046,296	2,116,889
5,289,131	5,352,049	6,313,097	6,920,107	5,996,861
6,621,225	11,043,085	6,768,798	9,542,548	7,053,867
978,603	994,107	1,070,000	1,125,000	1,497,000
995,570	933,536	907,878	831,434	1,066,519
<u>41,692,368</u>	<u>55,598,158</u>	<u>50,531,381</u>	<u>57,137,172</u>	<u>53,987,102</u>
<u>909,201</u>	<u>749,002</u>	<u>3,201,506</u>	<u>(5,999,777)</u>	<u>(5,545,068)</u>
-	-	-	-	6,860,000
-	-	-	-	-
4,906,256	4,797,603	5,944,576	4,720,949	12,714,292
(3,229,898)	(3,068,828)	(4,181,196)	(2,756,419)	(10,818,965)
25	39,102	27,448	-	136,304
<u>1,676,383</u>	<u>1,767,877</u>	<u>1,790,828</u>	<u>1,964,530</u>	<u>8,891,631</u>
<u>2,585,584</u>	<u>2,516,879</u>	<u>4,992,334</u>	<u>(4,035,247)</u>	<u>3,346,563</u>
5.6%	4.3%	4.5%	4.1%	5.5%

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

<u>Fiscal year</u>		<u>Property (a)</u>	<u>Payment in lieu of taxes</u>	<u>Utility and communication</u>	<u>Franchise fees</u>	<u>Fuel taxes</u>
2000	\$	6,947,590	1,598,200	2,741,477	2,384,149	1,748,509
2001		8,717,744	1,668,600	2,874,956	2,729,117	1,846,201
2002		10,401,098	1,596,900	4,118,185	2,468,600	2,005,345
2003		11,674,715	1,658,026	4,314,896	2,612,851	2,044,949
2004		13,029,256	1,692,000 (b)	3,904,133	2,959,293	1,731,941
2005		14,404,764	1,676,358	4,149,829	3,141,721	1,585,816
2006		15,926,721	1,708,000	4,269,042	3,792,489	1,579,996
2007		20,779,629	1,763,380	4,218,209	3,877,556	1,532,580
2008		19,415,799	1,964,530	4,170,227	3,740,236	1,404,690
2009		19,729,516	2,168,546	4,476,921	3,971,657	1,393,025
Change 2000-2009		184.0%	35.7%	63.3%	66.6%	-20.3%

Source: City of Naples Finance Department

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

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

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

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

	<u>Sales and use</u>	<u>Other</u>	<u>Total</u>
	2,514,209	788,798	18,722,932
	2,589,911	769,325	21,195,854
	2,332,893	767,934	23,690,955
	2,560,660	782,765	25,648,862
(c)	2,596,520	835,166	26,748,309
	2,624,802	1,003,374	28,586,664
	2,651,227	2,758,977 (d)	32,686,452
	2,455,218	2,763,432	37,390,004
	2,196,319	2,913,633	35,805,434
	1,927,205	2,263,153	35,930,023
	-23.3%	186.9%	91.9%

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

Fiscal year		Real property	Personal property	Less net new taxable value	Adjusted total taxable value (for roll back)
2000	\$	5,747,394,155	217,143,230	113,443,771	5,851,093,614
2001		6,564,055,070	240,089,300	102,231,972	6,701,912,398
2002		8,243,538,300	262,417,299	267,814,678	8,238,140,921
2003		9,754,294,253	267,069,987	189,917,985	9,831,446,255
2004		10,960,725,735	286,782,236	499,568,676	10,747,939,295
2005		11,909,720,094	301,738,680	271,725,048	11,939,733,726
2006		13,412,338,003	345,957,486	192,180,825	13,566,114,664
2007		16,264,603,707	376,100,345	275,696,496	16,365,007,556
2008		17,086,194,348	386,182,053	410,638,803	17,061,737,598
2009		16,903,766,419	400,795,472	342,706,664	16,961,855,227

Source: Collier County Tax Appraiser

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

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

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

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

Final taxable value	Total direct tax rate	Market/Just value	Actual taxable value value as a percentage of market/just value
5,966,815,878	1.1800	7,132,841,028	82.030%
6,806,066,692	1.3060	8,289,950,418	80.844%
8,488,615,092	1.2523	10,721,508,162	76.838%
9,950,900,301	1.1997	12,966,197,227	75.824%
11,212,894,783	1.1870	14,426,299,363	74.502%
12,168,966,197	1.2098	15,427,299,073	77.394%
13,746,713,411	1.1839	17,371,133,725	78.096%
16,533,125,948	1.2815	21,802,038,544	75.062%
17,456,888,406	1.1347	22,486,719,099	75.875%
17,248,160,366	1.1663	21,859,610,787	77.594%

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

Fiscal year	City Millage Rates			Overlapping Rates*		
	Operating rate	General obligation debt service	City total	Mosquito control	Collier County	Conservation Collier
2000	\$ 1.1800	-	1.1800	0.1923	3.5058	-
2001	1.1800	0.1260	1.3060	0.1748	3.5028	-
2002	1.1500	0.1023	1.2523	0.1465	3.8772	-
2003	1.1130	0.0867	1.1997	0.1167	3.8772	-
2004	1.1100	0.0770	1.1870	0.1051	3.8772	-
2005	1.1600	0.0498	1.2098	0.0962	3.8772	0.2500
2006	1.1400	0.0439	1.1839	0.0830	3.5790	0.2500
2007	1.2450	0.0365	1.2815	0.0680	3.5790	0.2500
2008	1.0997	0.0350	1.1347	0.0635	3.1469	0.2242
2009	1.1315	0.0348	1.1663	0.0635	3.4221	0.2500

Source: Collier County Property Tax Appraiser

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

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

Overlapping Rates*

Caribbean Gardens	School Board	South Florida Water Management	Water pollution control	Big Cypress Basin	Combined total
-	7.7600	0.2840	0.0355	0.2780	13.2356
-	7.7220	0.2840	0.0445	0.2780	13.3121
-	7.1370	0.2840	0.0420	0.2425	12.9815
-	6.9110	0.2840	0.0347	0.2425	12.6658
-	6.5240	0.2840	0.0347	0.2425	12.2545
-	6.2200	0.2840	0.0347	0.2425	12.2144
0.1500	5.9730	0.2840	0.0347	0.2425	11.7801
0.1500	5.5250	0.2840	0.0320	0.2426	11.4121
0.1500	5.3510	0.2549	0.0280	0.2265	10.5797
0.1500	4.9090	0.2549	0.0293	0.2265	10.4716

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

Taxpayer	2009			2000		
	Taxable assessed value	Rank	Percentage of total assessed value	Taxable assessed value	Rank	Percentage of total assessed value
Florida Power & Light Company	\$ 115,502,208	1	0.67%	\$ 20,806,767	3	0.35%
Coastland Center LP	88,390,674	2	0.51%	79,318,252	1	1.33%
The Moorings, Inc.	79,894,664	3	0.46%			
Sandra Gerry	47,028,606	4	0.27%			
Embarq Corporation	31,298,547	5	0.18%			
Panthers RPN Limited	30,809,563	6	0.18%	19,052,295	4	0.32%
Westbury Properties Inc.	28,568,775	7	0.17%	13,667,837	6	0.23%
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%			
Sprint-Florida Incorporated				26,118,891	2	0.44%
Net Realty Holding Trust				15,221,959	5	0.26%
Poinciana Professional Park				12,096,765	7	0.20%
Naples Golf & Beach Club				11,625,747	8	0.19%
Heritage Realty Mgmt Inc.				11,306,270	9	0.19%
Halstatt Partnership				10,930,829	10	0.18%
	\$ <u>499,706,857</u>		<u>2.90%</u>	\$ <u>220,145,612</u>		<u>3.69%</u>

Sources: Collier County Property Appraiser
Collier County Tax Collector

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

Fiscal year ended Sept 30,	Taxes levied for the fiscal year	Collected within the fiscal year of levy		Collections in subsequent years
		Amount	% of Levy	
2000	\$ 7,180,330	6,947,590	96.8%	-
2001	9,014,005	8,717,743	96.7%	-
2002	10,767,250	10,401,098	96.6%	-
2003	12,118,652	11,674,715	96.3%	-
2004	13,492,687	13,029,256	96.6%	-
2005	14,911,539	13,949,624	93.5%	-
2006	16,501,506	15,918,137	96.5%	8,584
2007	21,488,943	20,765,644	96.6%	13,985
2008	20,106,643	18,631,591	92.7%	13,308
2009	20,089,045	19,729,516	98.2%	7,470

Sources: Collier County Tax Appraiser
Collier County Tax Collector

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

**Total collections
to date**

Amount	% of Levy
6,947,590	96.8%
8,717,743	96.7%
10,401,098	96.6%
11,674,715	96.3%
13,029,256	96.6%
13,949,624	93.5%
15,926,721	96.5%
20,779,629	96.7%
18,644,899	92.7%
19,736,986	98.2%

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

Fiscal year	Government Activities			Business-type Activities		
	General Obligation Bonds	Public Service Tax Bonds	Redevelopment and Refunding Bonds	Water Bonds/Loans	Storm-water SBA Loan	Non major Bonds
2000	\$ 8,460,000	7,322,487	3,000,000	45,522,345	2,134,247	799,422
2001	8,270,000	14,375,429	3,000,000	42,067,666	3,156,185	736,713
2002	7,850,000	13,552,345	2,975,000	43,074,428	2,948,408	616,002
2003	7,410,000	10,971,090	5,925,000	40,130,531	2,916,602	688,590
2004	5,220,000	10,597,710	5,675,000	36,682,610	3,637,256	627,290
2005	4,825,000	10,214,107	5,475,000	33,114,472	3,386,237	560,893
2006	4,440,000	9,710,015	5,265,000	30,730,759	3,144,816	490,000
2007	4,040,000	9,271,676	5,045,000	32,974,049	2,900,622	445,000
2008	3,615,000	8,809,527	4,815,000	32,102,331	2,731,467	400,000
2009	3,170,000	8,405,000	11,113,000	30,121,256	2,557,149	350,000

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

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

Total primary government	Percentage of personal income (a)	Per capita (a)
67,238,501	8.14%	1,706
71,605,993	8.29%	1,797
71,016,183	8.36%	1,770
68,041,813	7.75%	1,649
62,439,866	6.67%	1,449
57,575,709	5.04%	1,147
53,780,590	4.31%	994
54,676,347	4.07%	952
52,473,325	3.68%	849
55,716,405	3.90%	881

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

Fiscal year	General Bonded Debt Outstanding			Percentage of actual taxable value of property (a)	Per capita (b)
	General Obligation Bonds	Redevelopment Bonds	Total		
2000	\$ 8,460,000	3,000,000	11,460,000	0.20%	546.34
2001	8,270,000	3,000,000	11,270,000	0.17%	519.67
2002	7,850,000	2,975,000	10,825,000	0.13%	511.53
2003	7,410,000	5,925,000	13,335,000	0.14%	626.53
2004	5,220,000	5,675,000	10,895,000	0.10%	501.87
2005	4,825,000	5,475,000	10,300,000	0.09%	452.75
2006	4,440,000	5,265,000	9,705,000	0.07%	420.71
2007	4,040,000	5,045,000	9,085,000	0.06%	388.40
2008	3,615,000	4,815,000	8,430,000	0.05%	364.92
2009	3,170,000	11,113,000	14,283,000	0.08%	633.22

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

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

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

Schedule 12
City of Naples
Direct and Overlapping Governmental Activities Debt
As of September 30, 2009

	<u>Debt outstanding</u>	<u>Estimated percentage applicable (c)</u>	<u>Estimated share of direct and overlapping debt</u>
City of Naples Direct Debt:			
General Obligation Bonds	\$ 3,170,000	100.00%	3,170,000
Public Service Tax Bonds	8,405,000	100.00%	8,405,000
Redevelopment and Refunding Bonds	11,113,000	100.00%	11,113,000
Capital Improvement Note	6,558,000	100.00%	<u>6,558,000</u>
Total direct debt			<u>29,246,000</u>
Overlapping debt (a):			
Collier County (b):			
Conservation Collier	35,159,204	21.92%	<u>7,706,898</u>
Total overlapping debt			<u>7,706,898</u>
Total direct and overlapping debt			\$ <u>36,952,898</u>

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

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

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

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

Fiscal year	Water Revenue Bonds					Coverage
	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirement		
2000	\$ 18,962,427	8,549,149	10,413,278	3,256,350	3.20	
2001	18,638,160	8,872,732	9,765,428	3,047,302	3.20	
2002	19,127,894	9,916,239	9,211,655	2,957,085	3.12	
2003	18,575,596	9,936,785	8,638,811	2,957,085	2.92	
2004	21,078,879	10,761,818	10,317,061	2,962,385	3.48	
2005	21,437,118	11,711,345	9,725,773	2,962,385	3.28	
2006	22,736,438	12,414,794	10,321,644	2,962,385	3.48	
2007	22,933,820	14,633,548	8,300,272	1,355,985	6.12	
2008	25,299,408	15,407,221	9,892,187	1,357,735	7.29	
2009	28,219,062	17,995,779	10,223,283	1,355,435	7.54	

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

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

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

Utility Tax Revenue Bonds				Tax Increment Revenue Bonds				
Utility tax collections	Debt service		Coverage	Tax increment revenue	Debt service		Coverage	
	Principal	Interest			Principal	Interest		
2,741,477	990,000	439,444	1.92 (b)	467,526	-	132,600	3.53	
3,704,490	970,000	292,414	2.93 (b)	651,502	-	132,600	4.91	
4,285,595	755,000	657,494	3.03 (b)	1,166,200	25,000	132,048	7.43	
4,420,958	785,000	583,749	3.23 (b)	1,583,361	50,000	130,390	8.78	
4,159,640	435,000	546,002	4.24 (b)	1,782,759	250,000	211,101	3.87	
4,157,163	450,000	525,935	4.26 (b)	2,152,936	200,000	202,367	5.35	
4,091,549	470,000	504,480	4.20 (b)	2,815,241	210,000	194,927	6.95	
3,877,556	495,000	481,984	3.97 (b)	3,205,099	220,000	187,123	7.87	
3,707,751	515,000	460,746	3.80 (b)	3,028,298	230,000	179,185	7.40	
3,135,961	540,000	438,195	3.21 (b)	2,965,522	562,000	412,793	3.04	

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

Calendar year	Population	Personal income <i>(thousands of dollars)</i>	Per capita personal income	Median age	County school enrollment	Unemployment rate
2000	20,976	\$ 826,517	39,403	-	31,942	3.7%
2001	21,687	864,053	39,842	44.1	33,858	4.1%
2002	21,162	849,041	40,121	40.5	36,010	4.2%
2003	21,284	878,369	41,269	44.1	37,718	4.7%
2004	21,709	935,549	43,095	45.2	39,821	3.9%
2005	22,750	1,141,959	50,196	45.6	41,588	3.6%
2006	23,068	1,248,117	54,106	44.7	42,775	2.7%
2007	23,391	1,343,719	57,446	45.5	42,062	5.1%
2008	23,101	1,427,365	61,788	45.4	41,666	8.2%
2009	22,556	1,427,253	63,276	46.2	42,786	10.0%

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

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

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

Employer	2009			2000		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Collier County Public Schools	4,728	1	13.4%	4,114	1	17.2%
NCH Healthcare System	3,007	2	8.5%	2,200	3	9.2%
Collier County Government	2,276	3	6.4%	2,855	2	11.9%
Collier County Sheriff	1,387	4	3.9%	1,074	4	4.5%
Home Depot	1,012	5	2.9%	-		
Ritz-Carlton Hotel	743	6	2.1%	860	5	3.6%
Naples Grande Beach Resort	605	7	1.7%	600	6	2.5%
City of Naples	481	8	1.4%	483	8	2.0%
Bentley Resort	-			475	9	2.0%
Naples Beach and Tennis Club	423	9	1.2%	491	7	2.0%
Collier County Health Department	207	10	0.6%	215	10	0.9%
Other employers	20,423		57.9%	10,605		44.2%
Total	35,292		100.0%	23,972		100.0%

Sources: Naples Economic Development Council
Employer Historical Records

Note: Certain information prior to GASB 34 is not available for 2000.

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

Function/Program	Fiscal Year				
	2000	2001	2002	2003	2004
General Fund					
Mayor and Council	1.0	1.0	1.0	1.0	1.0
City Clerk	7.0	7.0	8.0	7.0	8.0
City Attorney	1.0	1.0	1.0	1.0	1.0
City Manager	4.0	4.0	5.0	4.0	3.0
Human Resources	7.0	7.0	7.0	7.0	7.0
Planning & Code Enforcement	8.0	8.0	8.0	8.0	7.0
Engineering	10.0	10.0	10.0	10.0	(b)
Building & Zoning	(a)	(a)	(a)	(a)	(a)
Finance	18.6	18.6	19.8	20.8	21.8
Community Services	50.0	51.0	51.0	50.0	43.0
Police and Emergency Services					
Police	114.2	114.2	115.7	111.7	111.7
Fire	53.0	54.0	55.0	59.0	59.0
Natural Resources	2.0	2.0	2.0	2.5	(c)
Non-Departmental	9.9	10.0	10.0	10.0	10.0
Water and Sewer Fund	94.0	94.6	93.5	94.0	96.0
Solid Waste Fund	33.0	33.0	30.0	26.0	25.0
Streets and Traffic Fund	4.0	4.0	5.0	5.0	5.0
Stormwater Fund	6.0	6.0	7.0	7.0	7.0
City Dock Fund	4.0	4.0	5.0	4.0	5.0
Tennis Fund	5.0	6.0	6.0	6.2	4.0
Beach Fund	10.7	11.9	13.3	12.6	13.1
Information Services Fund	8.0	9.0	10.0	10.0	11.0
Equipment Services Fund	11.0	11.0	11.0	11.0	11.0
Risk Management Fund	1.0	1.0	1.0	2.0	2.0
Building Permit Fund	21.0	22.5	24.5	24.5	27.5
Community Redevelopment	(d)	2.0	2.5	3.5	3.5
Construction Management	(b)	(b)	(b)	(b)	8.0
TOTAL EMPLOYEES	483.4	492.8	502.3	497.8	490.6

Source: City of Naples Finance Department

- Notes:**
- (a) Reclassified from the General Fund to the Building Permit Fund starting in 1999.
 - (b) Reclassified from Engineering in the General Fund to the Construction Management Fund starting in 2004.
 - (c) Now funded in Community Services in the General Fund.
 - (d) Reclassified from Community Services to City Manager in the General Fund.
 - (e) Fund eliminated in 2008.

Fiscal Year					
2005	2006	2007	2008	2009	
1.0	1.0	1.0	1.0	1.0	1.0
8.0	8.0	8.0	8.0	8.0	8.0
1.0	1.0	1.0	1.0	1.0	1.0
4.0	4.0	4.0	4.0	4.0	7.0
7.0	7.0	7.0	7.0	7.0	6.0
10.0	10.0	10.0	10.0	10.0	5.0
(b)	(b)	(b)	(b)	(b)	(b)
(a)	(a)	(a)	(a)	(a)	(a)
20.8	21.8	21.8	21.8	21.8	21.8
42.0	42.0	47.5	45.5		36.0
111.7	111.7	111.7	111.7		109.7
59.0	59.0	61.0	61.0		61.0
(c)	(c)	(c)	(c)		(d)
10.0	10.0	12.0	12.0		12.0
99.5	99.5	96.0	100.0		95.0
25.0	25.0	29.0	29.0		28.0
5.5	5.5	5.5	5.5		7.5
5.5	5.5	5.5	6.0		5.5
5.0	5.0	5.0	5.0		4.0
4.0	4.0	4.0	4.0		4.0
14.1	14.1	14.3	13.8		12.8
11.0	11.0	11.0	11.0		10.0
11.0	11.0	11.0	11.0		10.0
2.0	2.0	2.0	2.0		1.0
26.0	26.0	28.0	27.0		26.0
6.0	6.0	9.0	9.0		9.0
8.0	8.0	8.0	8.0		(e)
497.1	498.1	513.3	514.3	481.3	

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

Function/Program	Fiscal Year				
	2000	2001	2002	2003	2004
General government					
Commercial Permits Issued	267	322	308	239	247
Residential Permits Issued	816	888	782	831	974
Police					
Physical arrests	1,603	1,114	1,152	1,273	1,138
Parking violations	20,178	17,625	17,767	17,238	16,692
Traffic violations	10,409	9,541	10,652	11,446	9,183
Fire					
Emergency responses (a)	4,422	4,557	4,498	4,548	4,696
Fires extinguished (a)	104	74	52	64	65
Inspections (a)	4,396	4,044	5,011	5,979	7,120
Refuse collection					
Refuse (tons per day)	113	122	124	122	125
Recyclables (tons per day) (b)	N/A	N/A	N/A	N/A	8
Other public works					
Street resurfacing (miles)	1	2	4	3	3
Potholes repaired (c)	N/A	N/A	12	10	2
Parks and recreation					
Special events - participants (d)	N/A	N/A	1,001	1,101	1,313
Beach parking permits issued	19,382	18,017	18,945	16,297	23,082
Camps, classes - participants (d)	N/A	N/A	187	194	621
Water					
New connections	348	288	300	190	262
Water main breaks	19	42	24	23	9
Average daily consumption (millions of gallons)	19.4	17.6	18.5	17.1	17.5
Peak daily consumption (millions of gallons)	24.4	24.0	24.0	22.5	23.5
Wastewater					
Average daily sewage treatment (thousands of gallons)	6,590	6,510	6,900	7,080	6,800

Sources: Various City Departments

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

Fiscal Year				
2005	2006	2007	2008	2009
221	251	247	280	268
1,050	1,113	1,317	1,164	1,994
1,234	972	875	965	3,164
16,631	15,307	14,253	14,439	15,105
8,587	10,974	9,706	9,843	11,087
4,654	4,487	4,490	4,437	4,810
56	53	54	49	70
7,154	6,337	6,510	6,427	5,200
118	129	124	114	119
9	10	13	15	14
1	2	2	15	11
22	65	72	75	59
1,130	571	675	712	759
21,309	21,236	22,329	20,410	15,921
770	725	883	897	943
249	133	133	116	109
16	13	21	22	68
16.9	17.8	15.3	15.3	16.0
21.3	22.4	23.3	21.2	20.4
7,240	6,830	7,135	6,673	6,720

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

Function/Program	Fiscal Year				
	2000	2001	2002	2003	2004
Police					
Number of employees	122	122	123	122	122
Demand for services	45,177	43,302	36,669	38,095	54,710
Fire Stations	3	3	3	3	3
Refuse collection trucks	29	29	29	25	25
Other public works					
Streets (miles)	106	106	106	106	106
Streetlights	2,370	2,370	2,370	2,370	2,370
Traffic signals	45	46	47	47	47
Parks and recreation					
Swimming pools	1	1	1	1	1
Community centers	3	3	3	3	3
Pier	1	1	1	1	1
Dock	1	1	1	1	1
Water					
Active accounts	16,502	16,788	17,196	17,311	17,520
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	30	30	30	30	30
Sewer					
Active accounts	8,524	8,496	8,637	8,602	8,614
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	10	10	10	10	10

Sources: Various City Departments

Fiscal Year				
2005	2006	2007	2008	2009
121	120	124	115	110
56,393	68,365	60,908	58,658	63,325
3	3	3	3	3
25	27	27	25	24
106	106	106	106	108
2,370	2,370	2,371	2,371	2,375
47	47	47	47	44
1	1	1	1	1
3	3	3	3	3
1	1	1	1	1
1	1	1	1	1
17,697	17,718	17,723	17,717	17,781
1	1	1	1	1
30	30	30	30	30
8,638	8,651	8,647	8,645	9,052
1	1	1	1	1
10	10	10	10	10

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Naples, Florida, (the City) as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Naples, Florida, in a Management Letter dated March 8, 2010. Management's responses to the findings identified in the Management Letter were not audited, and accordingly, we express no opinion on them.

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

CPA Associates

Bradenton, Florida
March 8, 2010

THE CITY OF NAPLES, FLORIDA
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2009

Audit Finding Number	Title/Program	Brief Description	Status	Comments
08-01	Grant Accounting	The financial reporting process for grants needed improvements. Several audit adjustments were required at year-end to record receivables, deferred revenue, and revenue related to grant activity.	Not corrected	See Current Year Findings and Recommendations.
08-02	Data Backup System	Backup of production and system data are not being stored at an off-site location.	Corrected	Backups are being stored in an off-site facility.
08-03	Meter Collections	There are inadequate controls over cash collections for parking meters. The City has one employee collecting coin from parking meters, with no other compensating controls in place.	Not corrected	See Current Year Findings and Recommendations.

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the basic financial statements of the City of Naples, Florida, as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated March 8, 2010, which was unqualified.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, which is dated March 8, 2010, and should be considered in conjunction with this management letter.

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

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

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

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

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

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

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

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

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

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Naples, Florida, for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.

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

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

CPA Associates

Bradenton, Florida
March 8, 2010

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

09-01 Grant Accounting

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

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

09-02 Meter Collections

As noted in the prior year audit, there are inadequate controls over cash collections for parking meters. The City has one employee collecting coin from parking meters, and there are no other compensating controls in place to safeguard these funds and ensure that all amounts collected are deposited and reported. During fiscal year ending September 30, 2009, the City recorded \$663,000 in revenues from parking meter collections. Although the City periodically monitors parking meter collections by zone, this procedure does not mitigate the risk of loss.

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

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City of Naples

FINANCE DEPARTMENT

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

March 8, 2010

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

Dear Honorable David W. Martin:

Please see the current year 2009 Management Letter comments and response, below:

09-01 Grant Accounting

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

Response: Several years ago, the city created a grants tracking program within our integrated financial management system. As the responsibility for grants moved, the program was abandoned. The city agrees there needs to be an enhanced process, and will update and begin using this technology for 2011. In addition, with the Grants Coordinator now being assigned to the Finance Department (as of October 2009), there can be quarterly updates of grants progress between the involved staff members, with the Accounting Division being directly involved in this process.

09-02 Meter Collections

As noted in the prior year audit, there are inadequate controls over cash collections for parking meters. The City has one employee collecting coin from parking meters, and there are no other compensating controls in place to safeguard these funds and ensure

all amounts collected are deposited and reported. During fiscal year ending September 30, 2009, the City recorded \$663,000 in revenues from parking meter collections. Although the City periodically monitors parking meter collections by zone, this procedure does not mitigate the risk of loss.

Response: The city receives about \$660,000 from parking meters. Of that, about \$292,000 came from the pay stations. The pay stations submit via e-mail an audit to the Accounting Manager every time the machines are emptied; therefore, these are audited at least weekly. The remaining revenue is earned via quarters from the regular meters. The City has acquired the equipment to audit the regular meters, and training will be scheduled for May 2010.

Respectfully,



Ann Marie S. Ricardi
Finance Director