

THE CITY OF NAPLES, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2007
(With Independent Auditors' Report Thereon)

Prepared By:
FINANCE DEPARTMENT



City of Naples, Florida

Principal Officials

September 30, 2007

Mayor

Bill Barnett

Vice Mayor

Johnny Nocera

City Council

William R. MacIlvaine

Gary Price

John Sorey III

Penny Taylor

Bill Willkomm

City Attorney

Robert D. Pritt

City Clerk

Tara Norman

City Manager

Dr. Robert E. Lee

Department Directors

Chief of Police & Emergency Services	Victor M. Morales
Planning Director	Robin D. Singer
Building Official	Paul Bollenback
Community Services Director	David M. Lykins
Finance Director	Ann Marie S. Ricardi
Public Works Director	Dan Mercer
Human Resources Director	Denise K. Perez
Construction Management Director	Ronald A. Wallace
Technology Services Director	Stephen A. Weeks

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City of Naples

FINANCE DEPARTMENT
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March 5, 2008

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, 2007, 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.

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 22,500, 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 offer adequate public access to beaches. Beachfront property is almost exclusively residential zoning; commercial uses are focused along U.S. 41 and in a number of upscale shopping districts within the community.

The City of Naples was incorporated on December 1, 1923. It is approximately 14 square miles and has 106.3 miles of streets.

It 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 present members of the Council and their terms are as follows:

Member	Term Ends
William 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 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 Council. City Manager A. William Moss was selected by the City Council to be the City Manager as of January 1, 2008. All other departments of the City are under the supervision and control of City Manager Moss.

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 emergency services, highways and streets, parks and parkways, recreation, public improvements, planning, water, sewer, solid waste, and general administrative services. Schools are provided by Collier County School District, while ambulance, jail, 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 all districts are governed by Naples City Council. The two Special Taxing Districts were created and established by Ordinances No. 87-5328 and No. 87-5330, respectively, for the purpose of providing maintenance dredging in the channels and waterways within the area or boundary of the respective District, and to maintain necessary aids to navigation. Funds for the taxing districts are provided through an ad valorem tax that is levied only within these specified districts. Ordinance No. 94-7099 created the Community Redevelopment Agency for the rehabilitation, conservation or redevelopment of the designated district. The tax increment from both Collier County and the City provides the source of revenue for the Community Redevelopment Agency.

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 also 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 gearing up for the next budget year. The first step in the budget process is the City Council goal-setting meeting. Staff works with those goals as well as those gathered from the City home-owner associations and City committees to develop a viable budget. 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 Council by June 1, in accordance with the City Code, but the final budget is not adopted until September.

The adopted budget may be amended in two ways.

1. The budget ordinance enables City Manager to administratively 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 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 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. Non-major funds, however, are disclosed separately in the combining and individual fund financial statements and schedules section of this report.

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

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

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

Factors Affecting Financial Condition

Local Economy

Although the City's major economic structure is tourism based, the City was enjoying a favorable economic environment for most of Fiscal year 2006-07. Residential development within the City consists primarily of renovation and reconstruction due to space constraints, but the county is in a booming development stage, making property value in the City a premium, and activity in the City is growing. County growth will continue to affect the City from retail sales and commercial activities, dining and entertainment, traffic and many other facets of living.

With 40 public beach access points, the City Pier, and several vibrant commercial areas, the City of Naples continues to be the destination point for Collier County residents as well as residents from the east and northern coasts of Florida. The rapid growth in Southwest Florida (particularly Collier County) has had a direct impact on the City. While the geographic boundaries of Naples reflect minimal increase due to small annexations, the population that Naples serves has grown tremendously and the City's infrastructure needs and level of service requirements have grown along with it. Unfortunately, most of these service requirements do not bring with them corresponding revenues. For example, the cost related to County residents' and guests use of parks, beaches and roadways are generally not recovered.

In the City of Naples, we have seen increased demands for services, tripling property insurance rates, double digit health insurance increases, an increase in electric fees, and continued jumps in the costs of fuel. As these costs affect the City government, these costs also affect the City workforce. Retention of employees was becoming a challenge, because the cost to live in this area is higher than most places. The National City Corporation Housing Value Analysis Report continues to identify the Naples' housing market among the most overvalued in the U.S. market. At the beginning of 2006-07, governments, schools, hospitals and businesses in Collier County were actively involved in developing a plan to address limited workforce (affordable) housing.

However, in a short period the nation saw a trend of housing values declining, even to the point of foreclosures or abandonments. The City government, due to its stable residential base, and already being a high priced area, has been spared much of the loss, but the decrease in housing costs, combined with the property tax reform, enables workers to find housing locally.

With the high cost of living slowly reducing, another large impact to the local economy was the slow rise in the unemployment rate. Until recently, the area workforce was nearly at full employment. However, in Collier County, the June 2007 unemployment rate was 4 percent, up from 3.3 percent a year prior. This increase in unemployment means that filling City jobs and finding ways to provide services for the City will become easier.

Naples' taxable value continues to grow, but not at the booming rates of prior years. As of July 2007, the taxable value of the City was over \$17.4 billion, a growth of 5.7% over the prior year. Compared to the 12-20% increases of prior budget years, this low growth makes future budgeting more of a challenge.

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. The City has sufficient room to increase the levy if needed.

Naples also has one of the highest per capita incomes in the state. In 2005, the U.S. Department of Commerce estimated Naples' per capita income at \$49,492, compared to the state average of \$34,001 and a United States average of \$34,471.

Long-term financial planning

On September 6, 2006, the City Council passed a resolution adopting a set of financial policies. These policies covered five major areas:

- I. Budgetary and Financial Planning
- II. Financial Reporting
- III. Capital Improvement
- IV. Debt Management
- V. Investments (which references the Investment Policy Ordinance 05-10940)

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 addition to that resolution, the City has also adopted a separate fund balance policy, resolution 02-9845, which passed in October 2002. That resolution establishes a plan for the fund balance for the primary operating funds, and sets up a plan for deviations from that plan. According to that policy, the fund balance should be within certain percentages of the prior year's operating budget, and a report made to council on a regular basis, confirming compliance.

In June 2007, the City established a 15-year vision program, which was created by the citizens and adopted by the City Council. Expected to be incorporated into the 2007-08 budgets and beyond, the five major goals of the vision plan include:

1. Preserve the Town's distinctive character and culture
2. Make Naples the green jewel of southwest Florida
 - (a) Restore Naples Bay, protect beaches and other key waters
 - (b) Promote community sustainability and environmental conservation
 - (c) Establish more open and green space in the City
3. Maintain an extraordinary quality of life for residents
 - (a) Maintain and improve public amenities for residents
 - (b) Promote community health
 - (c) Enhance mobility in the City
 - (d) Maintain and enhance public safety
4. Strengthen the economic health and vitality of the City
5. Maintain and enhance governance capacity for public service and leadership

Major Initiatives

Operationally and financially, Fiscal year 2007 was driven by the pride that the residents and employees of the City of Naples take in the beauty of their City. As the City evolves from a growing city to a built-out city, updating City features as well as replacing and upgrading the infrastructure is more paramount in the capital and construction projects.

The City was awarded an Urban Forestry grant to inventory the more than 28,000 trees that the City maintains on public rights of way. Slightly less than 250 new trees were planted to replace trees that have died because of natural perils or damages in accidents.

In addition to the daily maintenance of City rights of way, this year, the City replaced new landscaping in 111 medians Citywide. The City also completed the US 41 landscaping and lighting project and completed alley improvements and landscaping and irrigation work in the River Park neighborhood. Maintenance along 5th Avenue South was also upgraded and a special street sweeper was purchased specifically for the Community Redevelopment District, including the 5th Avenue area.

Construction on 10th Street from Central Avenue to 7th Avenue North was substantially completed this year. Improvements include new landscaping, street lighting, and traffic circulation and parking enhancements. A new parking lot was also completed on Riverside Circle just south of the Building Department for employee parking.

The City substantially completed the installation of the reuse lines in the Port Royal neighborhood. This multi-million dollar project is intended to conserve the City's raw water supply and at the same time improve the water quality of the Gordon River, by reducing the amount of fresh water that is deposited into it.

In addition to the numerous services provided on a daily basis (beach cleaning, street sweeping, solid waste collection), the City continued to improve the quality of life with new initiatives. For example, this year the City officials and residents worked with a consultant to prepare a citywide master sidewalk plan and a citywide master bicycle plan. The first phase of the sidewalk program was completed on Gulfshore Boulevard and new striping on Gordon Drive was completed as part of the first phase of the bicycle plan.

Park improvements, including new sod for ball fields, a new bocce ball court, new shuffle board courts, a new pocket park, and numerous other park improvements helped the City to earn the prestigious "Award of Excellence" from the Florida Recreation and Parks Association this year.

The City does not actively seek annexations; however, adjacent communities often contact the City Manager to discuss the possibility. During the year ended September 2007, the City worked on two requests for annexation, areas known as Hole in the Wall and Collier Park of Commerce. Both were accepted into the City in December 2007.

Cash and Investments

During fiscal year 2006-07, the City earned \$4,204,009 in interest income on an average balance of cash and investments of \$74,307,455. This income resulted in a rate of return of 5.60%, slightly below the portfolio's benchmark of 5.80% for the 1-3 year Merrill Lynch index, and slightly above the 5.40% for the funds invested with the State Board of Administration. Returns were significantly higher than the prior year's yield of 4.15%.

Investment activity was governed by the City's investment policy adopted in September 2005. 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 \$750,000 balance. The City also maintained accounts with the State Board of Administration's Local Government Investment Pool. PFM 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 the purpose of 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 changes in the economic and demographic assumptions used in the actuarial valuations of the retirement plans caused the pension funds to have increased contribution requirements. Employer contributions continue to be increased for all plans.

Because the actuarial value of assets is developed based on a method that recognizes 20% of the difference between the market value and the expected actuarial value of assets, the funding of pension benefits will likely continue at these higher rates for the next few years. The City does not offer any post-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. GASB 45 requires that the City begin recording an obligation for this liability starting with fiscal year 2008-2009.

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 2006-07 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, 2006.

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.

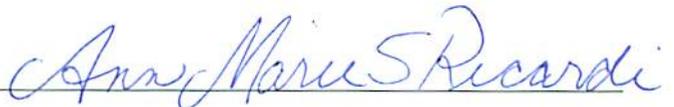
Acknowledgements

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, 2006

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.



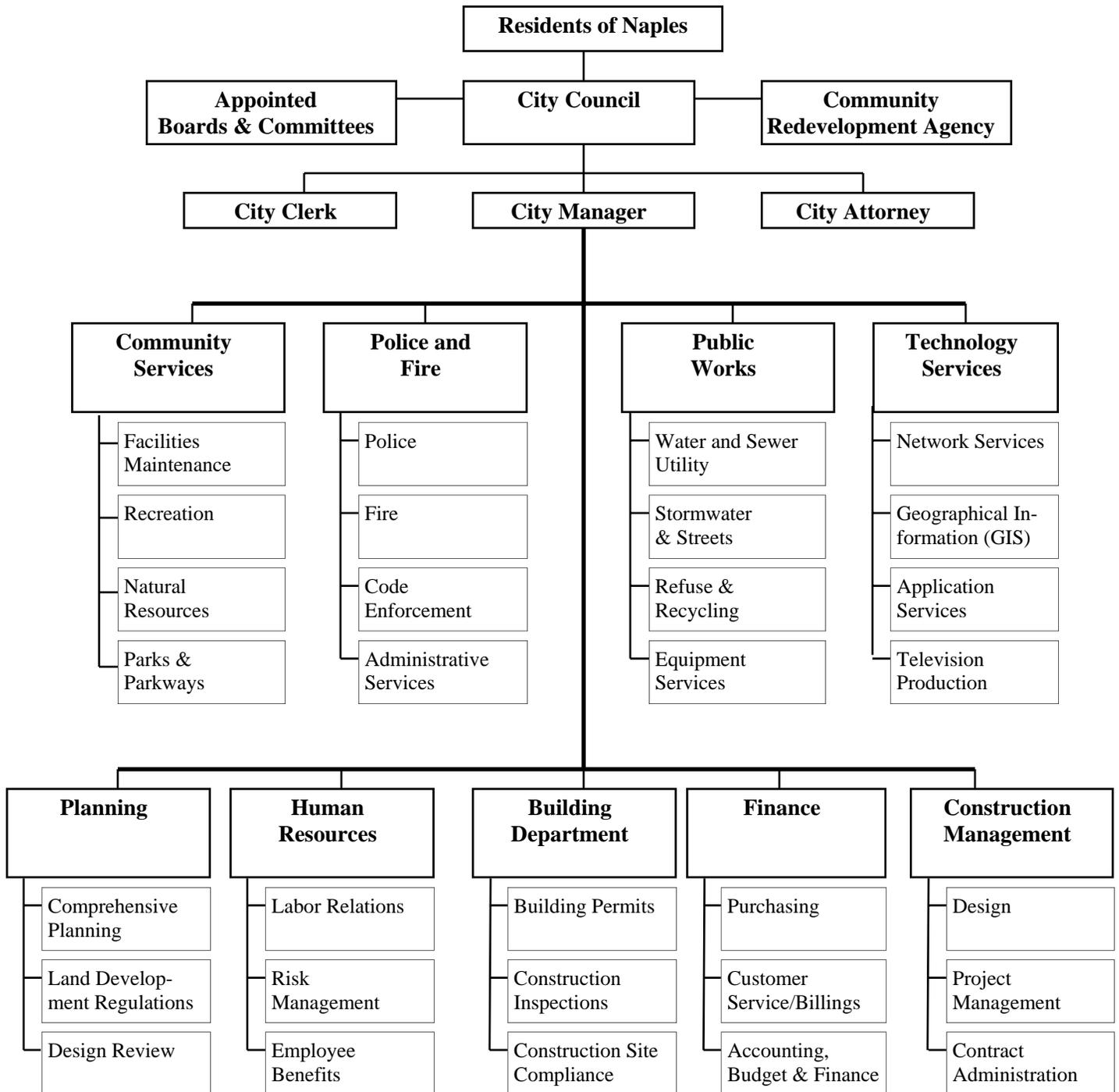
Charles S. Cox

President

Jeffrey R. Emery

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, as of and for the year ended September 30, 2007, 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 of Naples, Florida'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, 2007, 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 5, 2008, on our consideration of the City of Naples, Florida'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.

The management's discussion and analysis and pension schedules on pages 3 through 14 and pages 94 through 96, 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 of Naples, Florida'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 5, 2008

The City of Naples, Florida

Management's Discussion and Analysis (Unaudited)

September 30, 2007

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, 2007.

Financial Highlights

- The assets of the City of Naples exceeded its liabilities at September 30, 2007, by \$174.9 million (net assets). Of this amount, \$66.2 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 \$11.3 million.
- As of September 30, 2007, the City of Naples' governmental activities reported combined ending net assets of \$92.8 million. This is an increase of \$8.2 million from the prior year. Approximately 46% of this total is unrestricted.
- The City of Naples' total debt increased by \$895,757 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.

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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, community development, planning, parks and recreation, building and code enforcement and general administration. Major revenues supporting these activities are ad valorem taxes, sales and gas taxes, franchise, utility and communications service taxes, as well as revenues from building permits, fees, grants and investments.
- **Business-type activities** – The City's Utilities (Water and Sewer, Solid Waste, Stormwater) and "Other Nonmajor" types such as Naples Beach Parking, City Dock and Tennis are reported here. These services are supported primarily from user fees. Financing of major capital is usually 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 Public Arts Fund, the Confiscated Properties Fund, the Land Conservation Trust 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 basis of accounting, which measures cash and all other financial assets that can readily be converted to cash (usually 60 day focus). The two criteria used are that the revenue is measurable and available. Examples of the difference between this and the economic resources measurement focus are that debt financing is considered current revenue, and purchases of capital assets are considered expenditures whereas depreciation is not since there is no outlay of cash.
- **Proprietary funds** – are used to account for the business-type activities of the City. There are two types: enterprise funds and internal service funds. The City's enterprise funds are the Water and Sewer Fund, the Solid Waste Fund, the Stormwater Fund, and nonmajor enterprise funds consisting of the Naples Beach Fund, the City Dock Fund and the Tennis Fund and the internal service funds which 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.

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- ***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 pages 23 and 27 that converts this data to an economic resource measurement focus and the accrual basis of accounting for use in the Government-wide Financial Statements.

The Total column on the Proprietary Fund Financial Statements (pages 30 – 35) 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.

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Government-wide Financial Analysis

The City's combined net assets as of September 30, 2007, were \$174.9 million. The City's combined revenues, including contributions, grants, charges for services and taxes were \$91.2 million. Total expenses, citywide were \$78.5 million. Table 1 reflects the summary statement of net assets for the current and prior year.

Table 1
Net Assets
(In thousands)

	Governmental activities		Business-type activities		Total primary government	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 54,950	49,605	32,517	33,346	87,467	82,951
Capital assets	65,704	63,693	91,780	84,972	157,484	148,665
Total assets	<u>120,654</u>	<u>113,298</u>	<u>124,297</u>	<u>118,318</u>	<u>244,951</u>	<u>231,616</u>
Long term liabilities outstanding	22,466	23,074	36,043	33,720	58,509	56,794
Other liabilities	5,370	5,630	6,157	5,614	11,527	11,244
Total liabilities	<u>27,836</u>	<u>28,704</u>	<u>42,200</u>	<u>39,334</u>	<u>70,036</u>	<u>68,038</u>
Net assets:						
Invested in capital assets, net of debt	47,347	44,278	55,460	50,606	102,807	94,884
Restricted	3,074	3,080	4,550	5,702	7,624	8,782
Unrestricted	<u>42,397</u>	<u>37,236</u>	<u>22,087</u>	<u>22,676</u>	<u>64,484</u>	<u>59,912</u>
Total net assets	<u>\$ 92,818</u>	<u>84,594</u>	<u>82,097</u>	<u>78,984</u>	<u>174,915</u>	<u>163,578</u>

The largest portion of the City's net assets (58%) 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 38% of unrestricted net assets, \$64.5 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 \$11.337 million. Governmental activities increased the City of Naples' net assets by \$8.224 million, thereby accounting for 72% of the total growth in net assets of the City of Naples. Business type activities accounted for \$3.113 million of the increase.

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

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total primary government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,564	7,323	33,879	33,670	41,443	40,993
Operating grants and contributions	3,042	11,017	466	409	3,508	11,426
Capital grants and contributions	1,831	2,822	3,072	2,508	4,903	5,330
General Revenues:						
Property taxes	20,780	15,927	-	-	20,780	15,927
Other taxes	11,397	11,426	-	-	11,397	11,426
Intergovernmental revenues	3,450	3,659	-	-	3,450	3,659
Unrestricted investment earnings	2,859	2,068	1,333	1,111	4,192	3,179
Other	130	(309)	30	35	160	(274)
Total revenues	<u>51,053</u>	<u>53,933</u>	<u>38,780</u>	<u>37,733</u>	<u>89,833</u>	<u>91,666</u>
Expenses:						
General government	6,812	12,563	-	-	6,812	12,563
Public safety	22,691	20,692	-	-	22,691	20,692
Physical and economic environment	2,195	2,292	-	-	2,195	2,292
Transportation	4,011	2,365	-	-	4,011	2,365
Cultural and recreation	7,978	6,489	-	-	7,978	6,489
Interest and fiscal charges	905	940	-	-	905	940
Water and sewer	-	-	22,354	20,284	22,354	20,284
Solid waste	-	-	5,653	5,127	5,653	5,127
Stormwater	-	-	1,432	1,290	1,432	1,290
Other	-	-	4,465	4,169	4,465	4,169
Total expenses	<u>44,592</u>	<u>45,341</u>	<u>33,904</u>	<u>30,870</u>	<u>78,496</u>	<u>76,211</u>
Increase in net assets before transfers	6,461	8,592	4,876	6,863	11,337	15,455
Transfers	1,763	1,708	(1,763)	(1,708)	-	-
Increase in net assets	8,224	10,300	3,113	5,155	11,337	15,455
Net assets - beginning	<u>84,594</u>	<u>74,294</u>	<u>78,984</u>	<u>73,829</u>	<u>163,578</u>	<u>148,123</u>
Net assets - ending	<u>\$ 92,818</u>	<u>84,594</u>	<u>82,097</u>	<u>78,984</u>	<u>174,915</u>	<u>163,578</u>

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The total primary government revenues show a \$1.83 million decrease or 2% under last year's total revenues. Governmental activities were the primary contributor to the decrease, showing a \$2.9 million revenue decrease. The primary reasons for this decrease in governmental activity revenue are as follows:

- Property value increased 12.7% for the tax year. Despite a decrease in the millage rate from 1.16 in FISCAL YEAR 2006 to 1.14 in FISCAL YEAR 2006-07, the impact of the property value increased property taxes by \$4.8 million.
- Operating grants and contributions decreased \$8.0 million, or 72.4%. Most of this can be attributed to the FEMA grants related to Hurricane Wilma in the amount of \$6.9 million
- Capital grants and contributions decreased \$1.0 million due to the completion and closure of State grants (and projects) in Fiscal year 2006.
- Investment Earnings increased \$1.0 million, or 24% over the prior year, due to the improved investment market.

Business-type activities also showed a modest increase in revenues, increasing \$1 million or 2.8% over the revenues of 2006. Business type activity revenue was led by an increase in capital contributions which increased \$500 thousand. Capital contributions included grants of \$2 million for the reuse line extension and Stormwater improvements from the South Florida Water Management District.

The total primary government's expenses increased \$2.0 million or 2.9%. Governmental activities reported a 1.7% decrease in expenses, with business type activities reporting a 9.8 increase. Like revenues, the primary reason for the governmental activity decrease would be due to the prior year costs of \$6.9 million related to Hurricane Wilma. Excluding the hurricane related costs, the increase in expenses for both governmental and business type activities closely paralleled inflation mixed with the overall increases in the cost of living, such as fuel and chemical costs, contractual raises and benefits increase.

Governmental Activities

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

The cost of all governmental activities this year was \$44.6 million. As shown in the statement of activities on page 18, the net cost that was ultimately paid through taxes was \$32.1 million. The \$12.5 million of the cost of governmental activities not covered by general revenues was provided by:

- \$7.6 million in charges for services, made of \$3.2 million in building/permit fees, \$1.2 million in police and fire services, \$1.0 million for recreation fees, and the balance from various fees related to transportation, economic environment and general government services.
- \$3.0 million in operating grants and contributions, including \$2.4 million from Collier County's share of the Community Redevelopment. Tax Increment Financing District and the remaining from other grants from agencies including FEMA, Tourism Development and Collier County.

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- \$1.8 million in capital grants and contributions, which includes \$1.1 million in transportation grants such as those for the upgrade of the traffic signalization system, \$0.4 million from impact fees and special assessments, and \$0.3 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>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Public safety	\$ 22,691	20,692	18,071	15,143
Physical and economic environment	2,195	2,292	(1,202)	(501)
Transportation	4,011	2,365	2,655	232
Cultural and recreation	7,978	6,489	6,814	5,352
All others	7,717	13,503	5,817	3,953
Totals	<u>\$ 44,592</u>	<u>45,341</u>	<u>32,155</u>	<u>24,179</u>

Business-type Activities

Revenues of the City’s business-type activities (see Table 2) totaled \$38.8 million.

The Water and Sewer fund represents 82% of the business-type activities’ net assets. Total Water and Sewer operating revenues and operating expenses were up \$197,382 and \$2,248,072 respectively, from last year. Interest income from all Business-type activities showed a 20% increase over prior years, due to the overall improved investment market.

City Code allows for Solid Waste and Water Sewer Fees to be adjusted automatically, based on the Consumer Price Index and the Public Service Commission Deflator Index, respectively. These small annual increases (2.58% and 2.74%, 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 and 24. 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 the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$42.556 million, an increase of \$4.992 million in comparison with the prior year. Approximately 71% of this total (or \$30.016 million) constitutes unreserved, undesignated fund balance, which is available for spending at the City’s discretion. The remainder of fund balance is reserved or

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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 (\$5.619 million), (2) meet reserve requirements for debt service in accordance with bond covenants (\$1.726 million), (3) pay for a City-wide emergency (\$3.520 million), (4) advances paid to other funds (\$1,313 million), and (5) a variety of other restricted purposes (\$.362 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 \$11.935 million, while the total fund balance was \$16.338 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 35% of the total fiscal year 2007 general fund expenditures, while total general fund balance represents 48% of that same amount.

General government expenditures were \$303,737 under budget. Most variances in general government areas were minor and due to short periods of vacancies or minor cost under-runs in operating expenses. However, there were areas of expenditures in Public Safety with notable variances. In Public Safety, both Police and Fire pension boards increased the required contribution rate, the state pension money caused both retirement contributions and state insurance premium taxes to exceed budgets by \$1.769 million resulting in public safety overall being over budget by \$1.839 million.

Offsetting that budgetary over-run is the cost under-run in the Community Services and Non-departmental areas. With a high vacancy rate causing salaries to be \$334,219 under budget, and many subcontracted services such as landscape maintenance outsourced but not completed, the year-end expenditures for Community Services was \$941,471 less than budgeted and Non-departmental had \$668,134 of operating expenditures and capital projects not committed before year end.

The fund balance of the City's General Fund increased by \$3.4 million during the fiscal year. The budget was developed as a balanced budget; therefore, factors in this growth are primarily due to revenues exceeding expectations, as described below:

- Despite a tax rate decrease, ad valorem taxes exceeded projections by \$33,368.
- Franchise fees exceeding budget by \$789,442, the largest of these being the electric franchise fee, due to public utility rate increases which impact the basis for the franchise fee.
- Interest income exceeded budgetary expectations by \$669,184 due to market improving more than expected.

The Debt Service Fund has a total fund balance of \$2.463 million of which \$1.726 million is reserved for the payment of debt service and \$.7 million is unreserved, undesignated. The net increase in fund balance during the current year in the Debt Service Fund was \$261,178. Taxes received from this fund first pay for the general government debt and then the balance is used to provide funds for general government capital projects. This year the amount transferred to capital projects was \$2.269 million.

The Capital Projects Fund has a total fund balance of \$7.857 million of which \$2.606 is reserved or designated for prior year encumbrances, advances to other funds and other purposes. The remaining \$5.251 million represents an undesignated unreserved balance. The net decrease in fund balance during the year in the capital projects fund was \$1.153 million, which was used to fund prior year projects that were completed in the current year.

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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 \$16.649 million in the Water and Sewer Fund, \$4.071 million in the Solid Waste Fund, \$1.863 million in the Stormwater Fund, \$294 thousand in the Naples Beach Fund, \$378 thousand in the City Dock Fund and \$163 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 approximately \$691,000. Of this, \$281,976 was budgeted for increased health care costs, \$122,723 was to pay for prior year encumbrances, \$158,069 was added for the improvements to Riley Park, \$30,000 was due to enhanced programming at the Norris Center and the remainder was for grants received throughout the year.

Capital Assets and Debt Administration

Capital Assets

The City as of year-end had \$157.4 million invested in a variety of capital assets, as reflected in the following table. As shown below, the asset category infrastructure is separately reported. The City has been recording infrastructure as assets, including streets, sidewalks, bridges, lighting and storm drainage, since 1980.

Table 4

Capital Assets at Year End

(In thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2005</u>
Land	\$ 11,792	11,792	2,897	2,897	14,689	14,689
Buildings	28,008	27,576	59,754	59,569	87,762	87,145
Improvements other than buildings	27,187	23,013	27,270	26,740	54,457	49,753
Infrastructure	28,992	27,199	70,097	59,882	99,089	87,081
Machinery and equipment	15,157	14,599	15,432	14,312	30,589	28,911
Construction in progress	397	3,133	2,269	3,144	2,666	6,277
Less accumulated depreciation	(45,830)	(43,619)	(85,940)	(81,572)	(131,770)	(125,191)
Total net capital assets	\$ <u>65,703</u>	<u>63,693</u>	<u>91,779</u>	<u>84,972</u>	<u>157,482</u>	<u>148,665</u>

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This year's major additions are:

Governmental activities:	
Solana Road Corridor	\$ 361,479
West Naples Bay Dredging	375,184
Citywide Tree Replacement	510,437
CRA, 41-10 Revitalization	538,861
Business-type activities:	
Reuse Expansion	\$ 5,654,906
Replace Sewer Mains and Laterals	944,596
Recycling Trucks (2)	412,678
Stormwater Drainage Improvements	451,337

Additional information regarding the City's capital assets is included in the notes to the financial statements, note (D) beginning on page 61.

Debt Outstanding

As of year-end, the City had \$54,676,347 in debt (bonds, notes, etc.) outstanding compared to \$53,780,590 in 2006, a \$895,757 increase. This increase is due to the continued use of the Capital Improvement note (line of credit) for a reuse line extension project.

Table 5
Outstanding Debt, at Year-end

	<u>2007</u>	<u>2006</u>
Governmental:		
General obligation	\$ 4,040,000	4,440,000
Public service tax revenue	9,365,000	9,815,000
Redevelopment	5,045,000	5,265,000
Unamortized issuance discount	(93,324)	(104,985)
Sub-total	<u>18,356,676</u>	<u>19,415,015</u>
Business-type:		
Water/Wastewater Revenue	8,805,000	9,705,000
State Revolving Loan – Wastewater	18,427,069	19,802,935
State Revolving Loan – Stormwater	2,900,622	3,144,816
Capital Improvement note	5,819,678	1,310,000
City Tennis Public Service Tax	445,000	490,000
Unamortized issuance discount	(29,089)	(32,883)
Unamortized original issue premium	72,192	81,608
Unamortized deferred loss on refunding	(120,801)	(135,901)
Sub-total	<u>36,319,671</u>	<u>34,365,575</u>
Totals	<u>\$ 54,676,347</u>	<u>53,780,590</u>

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Additional information regarding the City's outstanding debt is included in the notes to financial statements, note (G) beginning on page 68.

Economic Factors and Next Year Budget and Rates

In September 2007, the City Council approved a \$134.7 million budget for fiscal year 2007-08, which is approximately a .09% increase from the prior year's budget. The budget for next fiscal year was developed with an emphasis on:

- Maintenance of existing infrastructure
- Public safety and City aesthetics
- Responsiveness to community needs
- Employee quality and working conditions
- Fiscal conservatism

The City of Naples' 2007-08 budget required a tax rate decrease due to the property tax reform bills passed by the Florida legislature. Increased costs included public safety pensions, the maintenance requirement of the city's recent beautification efforts and continued increases in the costs of fuel. These were offset by some fee increases and cost reductions.

Property taxes are the largest source of revenue to the General Fund, providing 49% of the revenue to that fund.

The following economic factors were considered in developing the budget for fiscal year 2007-08:

- Taxable values of \$17,472,376,401 increased 5% over the prior year.
- The budget includes a Water and Sewer Utility rate increase of 8% based on a new rate study.
- Personnel costs make up a significant portion of City operating costs. For 2007-08, wage increases identified in contractual bargaining agreements range from 4% to 5%, which are in addition to step increases for eligible police and fire positions.
- Health insurance expenses are budgeted to increase by \$275,854 or 7%.
- Pension expenses are projected to increase approximately 25% for Police contributions and 54% for Fire contributions.
- There was a net increase of one position citywide for the 2007-08 budget. Community Services and Planning eliminated a total of three positions, but Water and Sewer added four.
- Consideration of future proposed property tax reform initiatives expected at both referendum and legislative levels in the forthcoming years.
- The continued slowdown of the economic market impacting property value and investment income.

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Requests for Information

This financial report is designed to provide a general overview of the City of Naples' finances to all users (citizens, taxpayers, customers, investors and creditors). If you have questions regarding this report or need additional financial information, contact the Finance Director at City Hall, 735 8th Street South, Naples, Florida 34102, or 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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Statement of Net Assets

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Assets	Primary government		
	Governmental activities	Business-type activities	Total
Cash and investments	\$ 48,180,161	20,333,132	68,513,293
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	689,151	6,238,937	6,928,088
Special assessments	150,092	182,249	332,341
Utility taxes	213,215	-	213,215
Accrued interest	179,510	73,902	253,412
Internal balances	(51,526)	51,526	-
Due from other governments	1,889,261	47,670	1,936,931
Inventories	175,462	1,012,443	1,187,905
Prepaid items	10,258	-	10,258
Restricted assets:			
Cash and investments	1,725,940	4,526,287	6,252,227
Net pension assets	1,653,908	-	1,653,908
Deferred charges	134,478	51,237	185,715
Capital assets:			
Land and land improvements	11,791,787	2,896,850	14,688,637
Buildings and utility plants	28,008,178	59,754,344	87,762,522
Improvements other than buildings	27,187,017	27,270,220	54,457,237
Infrastructure	28,992,171	70,096,989	99,089,160
Equipment	15,157,496	15,431,938	30,589,434
Accumulated depreciation	(45,830,338)	(85,940,495)	(131,770,833)
Construction in progress	397,501	2,269,863	2,667,364
Net capital assets	<u>65,703,812</u>	<u>91,779,709</u>	<u>157,483,521</u>
Total assets	<u>\$ 120,653,722</u>	<u>124,297,092</u>	<u>244,950,814</u>

See accompanying notes to financial statements.

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Statement of Net Assets

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Liabilities	Primary government		
	Governmental activities	Business-type activities	Total
Accounts payable and other current liabilities	\$ 4,528,963	3,321,711	7,850,674
Due to other governments	-	849,699	849,699
Unearned revenue	331,943	576,771	908,714
Customer deposits	17,749	28,239	45,988
Liabilities payable from restricted assets:			-
Customer deposits	-	247,822	247,822
Current maturities of long-term debt	557,083	782,247	1,339,330
Accrued interest payable	182,272	299,667	481,939
Noncurrent liabilities:			
Revenue bonds payable, net of unamortized discounts and premiums:			
Due within one year	556,256	7,550,268	8,106,524
Due in more than one year	17,243,337	27,987,156	45,230,493
Compensated absences:			
Due within one year	365,110	63,428	428,538
Due in more than one year	1,693,154	493,090	2,186,244
Claims payable:			
Due within one year	1,209,855	-	1,209,855
Due in more than one year	1,150,145	-	1,150,145
Total noncurrent liabilities	22,217,857	36,093,942	58,311,799
Total liabilities	27,835,867	42,200,098	70,035,965
Net Assets			
Invested in capital assets, net of related debt	47,347,136	55,460,038	102,807,174
Restricted for:			
Debt service	986,585	2,081,695	3,068,280
Renewal and replacement	-	1,136,822	1,136,822
Net pension obligation	1,653,908	-	1,653,908
Unrestricted	42,830,226	23,418,439	66,248,665
Total net assets	\$ 92,817,855	82,096,994	174,914,849

CITY OF NAPLES, FLORIDA

Statement of Activities

Year ended September 30, 2007

	<u>Expenses</u>	<u>Indirect expenses allocation</u>	<u>Charges for services</u>
Functions/programs:			
Governmental activities:			
General government	\$ 10,141,231	(3,329,730)	1,459,677
Public safety	22,251,911	439,180	4,424,734
Physical and economic environment	1,997,855	197,000	581,638
Transportation	3,880,530	130,000	69,719
Culture and recreation	7,978,079	-	1,028,100
Interest	904,623	-	-
Total governmental activities	<u>47,154,229</u>	<u>(2,563,550)</u>	<u>7,563,868</u>
Business-type activities:			
Water and sewer	20,555,201	1,799,000	22,933,821
Solid waste	5,377,827	275,000	6,046,768
Stormwater	1,306,858	125,000	1,418,188
Beach	1,611,388	197,000	916,767
Dock	2,030,161	137,550	2,003,808
Tennis	458,780	30,000	559,561
Total business-type activities	<u>31,340,215</u>	<u>2,563,550</u>	<u>33,878,913</u>
Total primary government	\$ <u><u>78,494,444</u></u>	<u><u>-</u></u>	<u><u>41,442,781</u></u>

See accompanying notes to financial statements.

Program revenues		Net (expense) revenue and change in net assets		
Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals
421,075	18,852	(4,911,897)	-	(4,911,897)
38,899	156,772	(18,070,686)	-	(18,070,686)
2,394,240	420,569	1,201,592	-	1,201,592
128,029	1,157,749	(2,655,033)	-	(2,655,033)
59,445	76,601	(6,813,933)	-	(6,813,933)
-	-	(904,623)	-	(904,623)
<u>3,041,688</u>	<u>1,830,543</u>	<u>(32,154,580)</u>	<u>-</u>	<u>(32,154,580)</u>
-	2,766,822	-	3,346,442	3,346,442
-	-	-	393,941	393,941
-	252,097	-	238,427	238,427
465,865	52,872	-	(372,884)	(372,884)
-	-	-	(163,903)	(163,903)
-	-	-	70,781	70,781
<u>465,865</u>	<u>3,071,791</u>	<u>-</u>	<u>3,512,804</u>	<u>3,512,804</u>
<u>3,507,553</u>	<u>4,902,334</u>	<u>(32,154,580)</u>	<u>3,512,804</u>	<u>(28,641,776)</u>
General revenues:				
		20,779,629	-	20,779,629
		8,095,764	-	8,095,764
		1,769,045	-	1,769,045
		1,532,580	-	1,532,580
		3,449,606	-	3,449,606
		2,858,980	1,333,466	4,192,446
		129,518	-	129,518
		-	29,527	29,527
Transfers		1,763,380	(1,763,380)	-
	Total general revenues and transfers	<u>40,378,502</u>	<u>(400,387)</u>	<u>39,978,115</u>
	Change in net assets	8,223,922	3,112,417	11,336,339
	Net assets – beginning	<u>84,593,933</u>	<u>78,984,577</u>	<u>163,578,510</u>
	Net assets – ending	<u>\$ 92,817,855</u>	<u>82,096,994</u>	<u>174,914,849</u>

CITY OF NAPLES, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2007

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>
Assets:			
Cash and investments	\$ 16,338,735	2,182,066	7,611,796
Receivables (net, where applicable, of allowance for uncollectible):			
Accounts	545,839	-	-
Special assessments	-	-	150,092
Utility taxes	-	213,215	-
Accrued interest receivables	61,001	-	30,883
Advances due from other funds	533,927	-	479,367
Due from other governments	616,594	67,922	77,870
Inventories	13,383	-	-
Prepaid items	10,258	-	-
Total assets	\$ 18,119,737	2,463,203	8,350,008
Liabilities:			
Accounts payable	\$ 688,741	-	342,725
Accrued payroll	914,126	-	-
Due to other governments	5,838	-	-
Advances payable to other funds	-	-	-
Deferred revenue	173,263	-	150,092
Customer deposits	-	-	-
Total liabilities	1,781,968	-	492,817
Fund balances:			
Reserved:			
Encumbrances	325,338	-	1,943,949
Advances	533,927	-	479,367
Inventories	13,383	-	-
Prepaid items	10,258	-	-
Debt service	-	1,725,940	-
Unreserved, designated:			
Reported in general fund	3,519,825	-	-
Reported in special revenue funds	-	-	-
Reported in capital projects funds	-	-	182,843
Unreserved, undesignated:			
Reported in general fund	11,935,038	-	-
Reported in debt service fund	-	737,263	-
Reported in special revenue funds	-	-	-
Reported in capital projects funds	-	-	5,251,032
Total fund balances	16,337,769	2,463,203	7,857,191
Total liabilities and fund balances	\$ 18,119,737	2,463,203	8,350,008

See accompanying notes to financial statements.

Community redevelopment	Streets and traffic	Other nonmajor governmental	Total
5,951,855	3,673,285	8,325,029	44,082,766
-	-	1,876	547,715
-	-	-	150,092
-	-	-	213,215
22,340	13,685	29,538	157,447
-	300,227	-	1,313,521
-	1,124,683	-	1,887,069
-	15,298	-	28,681
-	-	-	10,258
5,974,195	5,127,178	8,356,443	48,390,764
143,997	1,392,559	523,821	3,091,843
22,416	16,267	76,009	1,028,818
-	-	-	5,838
1,354,276	-	10,771	1,365,047
-	-	1,876	325,231
-	-	17,749	17,749
1,520,689	1,408,826	630,226	5,834,526
1,805,117	1,455,491	89,364	5,619,259
-	300,227	-	1,313,521
-	15,298	-	28,681
-	-	-	10,258
-	-	-	1,725,940
-	-	-	3,519,825
-	-	140,158	140,158
-	-	-	182,843
-	-	-	11,935,038
-	-	-	737,263
-	-	5,437,889	5,437,889
2,648,389	1,947,336	2,058,806	11,905,563
4,453,506	3,718,352	7,726,217	42,556,238
5,974,195	5,127,178	8,356,443	48,390,764

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CITY OF NAPLES, FLORIDA

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

September 30, 2007

Total fund balances - governmental funds (page 21)	\$ 42,556,238
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Total capital assets (\$65,703,812) less amounts included in the internal service funds (\$852,973)	64,850,839
Accrued long term debt interest expense is not a financial use and, therefore, is not reported in the funds	(182,272)
Long term liabilities, including bonds payable and compensated absences are not due and payable in the current period and, therefore are not reported in the funds. Total long term liabilities (\$22,774,940) less amounts reported in the internal service funds (\$2,660,110)	(20,114,830)
Certain long term assets are not available to pay for current period expenditures and, therefore are not recorded in the funds	1,788,386
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>3,919,494</u>
Net assets of governmental activities (page 17)	<u>\$ 92,817,855</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, 2007

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>
Revenues:			
Taxes	\$ 25,534,756	3,988,723	-
Licenses and permits	340,229	-	-
Intergovernmental	3,686,760	-	357,000
Charges for services	1,971,722	-	-
Charges to other funds	3,966,100	-	-
Fines and forfeitures	327,715	-	-
Special assessments	-	-	45,896
Impact fees	-	-	178,468
Interest	1,069,184	92,012	502,387
Donations	-	-	-
Miscellaneous	95,751	-	331
	<u>36,992,217</u>	<u>4,080,735</u>	<u>1,084,082</u>
Expenditures:			
Current:			
General government	9,166,905	68,170	336,420
Public safety	18,378,663	-	-
Physical and economic environment	207,887	-	-
Transportation	-	-	-
Culture and recreation	6,269,739	-	-
Capital outlay:			
General government	-	-	1,050,292
Public safety	9,684	-	673,828
Physical and economic environment	-	-	80,000
Transportation	-	-	658,519
Culture and recreation	3,590	-	1,638,855
Debt service:			
Principal	-	1,070,000	-
Interest and fiscal charges	-	819,106	-
	<u>34,036,468</u>	<u>1,957,276</u>	<u>4,437,914</u>
Excess (deficiency) of revenues over expenditures	<u>2,955,749</u>	<u>2,123,459</u>	<u>(3,353,832)</u>
Other financing sources (uses):			
Transfers in	1,856,449	407,123	2,269,404
Transfers out	(1,411,600)	(2,269,404)	(93,069)
Proceeds from sale of capital assets	-	-	23,630
	<u>444,849</u>	<u>(1,862,281)</u>	<u>2,199,965</u>
Change in fund balances	3,400,598	261,178	(1,153,867)
Fund balances – beginning of year	<u>12,937,171</u>	<u>2,202,025</u>	<u>9,011,058</u>
Fund balances – end of year	<u>\$ 16,337,769</u>	<u>2,463,203</u>	<u>7,857,191</u>

See accompanying notes to financial statements.

Community redevelopment	Streets and traffic	Other nonmajor governmental	Total
827,187	1,532,580	293,772	32,177,018
441,000	-	2,936,155	3,717,384
2,377,912	1,288,656	173,326	7,883,654
130,638	-	270,699	2,373,059
-	-	-	3,966,100
-	-	47,235	374,950
-	-	-	45,896
-	200,000	-	378,468
316,029	220,441	403,251	2,603,304
-	-	59,716	59,716
-	23,823	33,433	153,338
<u>4,092,766</u>	<u>3,265,500</u>	<u>4,217,587</u>	<u>53,732,887</u>
-	-	19,572	9,591,067
-	-	3,102,660	21,481,323
1,161,827	-	209,299	1,579,013
-	2,820,205	-	2,820,205
-	-	43,358	6,313,097
-	-	-	1,050,292
-	-	57,876	741,388
676,813	-	155,340	912,153
-	1,764,001	-	2,422,520
-	-	-	1,642,445
-	-	-	1,070,000
88,772	-	-	907,878
<u>1,927,412</u>	<u>4,584,206</u>	<u>3,588,105</u>	<u>50,531,381</u>
<u>2,165,354</u>	<u>(1,318,706)</u>	<u>629,482</u>	<u>3,201,506</u>
11,600	1,000,000	400,000	5,944,576
(407,123)	-	-	(4,181,196)
-	2,343	1,475	27,448
<u>(395,523)</u>	<u>1,002,343</u>	<u>401,475</u>	<u>1,790,828</u>
<u>1,769,831</u>	<u>(316,363)</u>	<u>1,030,957</u>	<u>4,992,334</u>
<u>2,683,675</u>	<u>4,034,715</u>	<u>6,695,260</u>	<u>37,563,904</u>
<u>4,453,506</u>	<u>3,718,352</u>	<u>7,726,217</u>	<u>42,556,238</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, 2007

Net Changes in Fund Balances – total governmental funds (page 25)	\$ 4,992,334
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 (\$6,768,798) exceeded depreciation (\$4,600,065) in the current period	2,168,733
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	(270,998)
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 repayments exceeded proceeds	1,070,000
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	(318,744)
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	84,324
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>498,273</u>
Changes in net assets of governmental activities (page 19)	<u>\$ 8,223,922</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, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Ad valorem	\$ 19,043,401	19,043,401	19,076,769	33,368
Franchise	3,899,500	3,899,500	4,688,942	789,442
Insurance premium tax	-	-	1,769,045	1,769,045
Licenses and permits	350,500	350,500	340,229	(10,271)
Intergovernmental	3,438,500	3,476,688	3,686,760	210,072
Charges for services	1,733,600	1,828,600	1,971,722	143,122
Charges to other funds	3,966,050	3,966,050	3,966,100	50
Fines and forfeitures	371,700	371,700	327,715	(43,985)
Interest	400,000	400,000	1,069,184	669,184
Miscellaneous	30,000	30,000	95,751	65,751
Total revenues	<u>33,233,251</u>	<u>33,366,439</u>	<u>36,992,217</u>	<u>3,625,778</u>
Expenditures:				
Current:				
General government:				
Mayor and City Council	266,002	273,754	272,412	1,342
City Attorney	686,281	687,250	661,893	25,357
City Clerk	550,811	558,563	575,920	(17,357)
City Manager	555,678	559,554	456,584	102,970
Human resources	719,997	728,459	664,859	63,600
Planning	609,627	616,410	483,564	132,846
Finance	1,614,990	1,635,339	1,592,971	42,368
Nondepartmental	4,910,654	5,126,836	4,458,702	668,134
Total general government	<u>9,914,040</u>	<u>10,186,165</u>	<u>9,166,905</u>	<u>1,019,260</u>
Public safety:				
Fire	6,158,834	6,217,943	7,255,830	(1,037,887)
Police	10,013,951	10,140,651	11,012,253	(871,602)
Code inspections	187,974	181,243	110,580	70,663
Total public safety	<u>16,360,759</u>	<u>16,539,837</u>	<u>18,378,663</u>	<u>(1,838,826)</u>
Physical and economic environment:				
Natural resources	264,553	264,553	207,887	56,666
Total physical and economic environment	<u>264,553</u>	<u>264,553</u>	<u>207,887</u>	<u>56,666</u>
Culture and recreation:				
Community services	6,978,187	7,208,200	6,269,739	938,461
Total culture and recreation	<u>6,978,187</u>	<u>7,208,200</u>	<u>6,269,739</u>	<u>938,461</u>

CITY OF NAPLES, FLORIDA

General Fund

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

Year ended September 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Capital outlay:				
Public safety:				
Fire	4,100	4,100	-	4,100
Police	4,100	4,100	3,034	1,066
Code inspections	-	6,650	6,650	-
Nondepartmental	120,000	120,000	-	120,000
Culture and recreation:				
Community services	3,000	6,600	3,590	3,010
Total capital outlay	<u>131,200</u>	<u>141,450</u>	<u>13,274</u>	<u>128,176</u>
Total expenditures	<u>33,648,739</u>	<u>34,340,205</u>	<u>34,036,468</u>	<u>303,737</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(415,488)</u>	<u>(973,766)</u>	<u>2,955,749</u>	<u>3,929,515</u>
Other financing sources (uses):				
Transfers in	1,887,598	1,980,667	1,856,449	(124,218)
Transfers out	<u>(1,411,600)</u>	<u>(1,411,600)</u>	<u>(1,411,600)</u>	<u>-</u>
Total other financing sources (uses)	<u>475,998</u>	<u>569,067</u>	<u>444,849</u>	<u>(124,218)</u>
Change in fund balances	60,510	(404,699)	3,400,598	3,805,297
Fund balances – beginning of year	<u>12,937,171</u>	<u>12,937,171</u>	<u>12,937,171</u>	<u>-</u>
Fund balances – end of year	\$ <u><u>12,997,681</u></u>	<u><u>12,532,472</u></u>	<u><u>16,337,769</u></u>	<u><u>3,805,297</u></u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2007

Assets	Business-type activities – Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current assets:			
Cash and investments	\$ 13,995,626	3,533,519	1,721,004
Restricted cash and investments	4,315,655	-	194,493
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	4,930,697	1,015,088	248,078
Special assessments	182,249	-	-
Miscellaneous	-	-	-
Accrued interest	50,160	13,275	6,360
Advances due from other funds	10,771	-	40,755
Due from other governments	-	-	41,988
Inventories	979,492	-	-
Total current assets	24,464,650	4,561,882	2,252,678
Capital assets:			
Land	1,731,983	1,145,053	19,814
Buildings and utility plants	57,311,183	528,790	-
Improvements other than buildings	19,664,928	994,865	-
Infrastructure	61,696,360	-	8,400,629
Equipment	11,485,921	2,693,772	284,220
Accumulated depreciation	(73,583,691)	(2,175,043)	(3,779,014)
Construction in progress	2,094,063	-	175,800
Net capital assets	80,400,747	3,187,437	5,101,449
Unamortized issuance cost	49,085	-	-
Total noncurrent assets	80,449,832	3,187,437	5,101,449
Total assets	104,914,482	7,749,319	7,354,127

See accompanying notes to financial statements.

<u>Nonmajor funds</u>	<u>Total</u>	<u>Governmental activities – Internal Service Funds</u>
1,082,983	20,333,132	5,823,335
16,139	4,526,287	-
44,674	6,238,537	-
-	182,249	-
400	400	141,436
4,107	73,902	22,063
-	51,526	-
5,682	47,670	2,192
32,951	1,012,443	146,781
<u>1,186,936</u>	<u>32,466,146</u>	<u>6,135,807</u>
-	2,896,850	-
1,914,371	59,754,344	426,921
6,610,427	27,270,220	-
-	70,096,989	-
968,025	15,431,938	2,034,510
(6,402,747)	(85,940,495)	(1,608,458)
-	2,269,863	-
<u>3,090,076</u>	<u>91,779,709</u>	<u>852,973</u>
2,152	51,237	-
<u>3,092,228</u>	<u>91,830,946</u>	<u>852,973</u>
<u>4,279,164</u>	<u>124,297,092</u>	<u>6,988,780</u>

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2007

	Business-type activities – Enterprise Funds		
Liabilities	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current liabilities:			
Accounts payable	\$ 2,479,107	286,864	92,647
Accrued payroll and personal leave	213,390	59,942	11,136
Due to other governments	849,699	-	-
Deferred revenue	390,001	-	115,605
Customer deposits	-	-	-
Current portion of compensated absences	38,000	16,000	1,000
Current maturities of long-term debt	7,396,329	-	120,189
Insurance claims payable	-	-	-
Total payable from current assets	<u>11,366,526</u>	<u>362,806</u>	<u>340,577</u>
Current liabilities (payable from restricted assets):			
Customer deposits	247,822	-	-
Current maturities of long-term debt	722,031	-	48,966
Accrued interest payable	269,144	-	25,634
Total payable from restricted assets	<u>1,238,997</u>	<u>-</u>	<u>74,600</u>
Total current liabilities	<u>12,605,523</u>	<u>362,806</u>	<u>415,177</u>
Noncurrent liabilities:			
Due in more than one year:			
Revenue bonds payable, net of unamortized discounts and premiums	24,855,689	-	2,731,467
Compensated absences	300,681	127,470	2,215
Insurance claims payable	-	-	-
Total noncurrent liabilities	<u>25,156,370</u>	<u>127,470</u>	<u>2,733,682</u>
Total liabilities	<u>37,761,893</u>	<u>490,276</u>	<u>3,148,859</u>
Net Assets			
Invested in capital assets, net of related debt	47,426,698	3,187,437	2,200,827
Restricted for debt service	1,939,836	-	141,859
Restricted for renewal and replacement	1,136,822	-	-
Unrestricted	16,649,233	4,071,606	1,862,582
Net assets of business-type activities	<u>\$ 67,152,589</u>	<u>7,259,043</u>	<u>4,205,268</u>

See accompanying notes to financial statements.

Nonmajor funds	Total	Governmental activities – Internal Service Funds
133,620	2,992,238	304,187
45,005	329,473	98,277
-	849,699	-
71,165	576,771	6,712
28,239	28,239	-
8,428	63,428	35,110
33,750	7,550,268	-
-	-	1,209,855
<u>320,207</u>	<u>12,390,116</u>	<u>1,654,141</u>
-	247,822	-
11,250	782,247	-
4,889	299,667	-
<u>16,139</u>	<u>1,329,736</u>	<u>-</u>
<u>336,346</u>	<u>13,719,852</u>	<u>1,654,141</u>
400,000	27,987,156	-
62,724	493,090	265,000
-	-	1,150,145
<u>462,724</u>	<u>28,480,246</u>	<u>1,415,145</u>
<u>799,070</u>	<u>42,200,098</u>	<u>3,069,286</u>
2,645,076	55,460,038	852,973
-	2,081,695	-
-	1,136,822	-
835,018	23,418,439	3,066,521
<u>3,480,094</u>	<u>82,096,994</u>	<u>3,919,494</u>

CITY OF NAPLES, FLORIDA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended September 30, 2007

	<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	\$ 13,262,880	-	-
Sewer revenues	9,670,940	-	-
Other	-	6,046,768	1,418,188
Total operating revenues	<u>22,933,820</u>	<u>6,046,768</u>	<u>1,418,188</u>
Operating expenses:			
Personal services	5,426,059	1,650,689	197,146
Supplies and services	4,376,124	3,295,211	302,914
Materials	2,108,031	-	-
Utilities	2,626,779	16,070	20,583
Depreciation and amortization	4,914,645	315,478	675,420
General administration	1,799,000	275,000	125,000
Other	96,555	100,379	23,907
Total operating expenses	<u>21,347,193</u>	<u>5,652,827</u>	<u>1,344,970</u>
Operating income (loss)	<u>1,586,627</u>	<u>393,941</u>	<u>73,218</u>
Nonoperating revenues (expenses):			
Operating grants	-	-	-
Interest income	987,322	190,393	101,464
Interest expense	(963,186)	-	(86,888)
Gain (loss) on sale of capital assets	(43,822)	20,340	4,594
Total nonoperating revenues (expenses)	<u>(19,686)</u>	<u>210,733</u>	<u>19,170</u>
Income (loss) before contributions and transfers	1,566,941	604,674	92,388
Capital contributions	2,766,822	-	252,097
Transfers out (payment in lieu of taxes)	(1,312,380)	(351,000)	-
Change in net assets	3,021,383	253,674	344,485
Net assets – beginning of year	<u>64,131,206</u>	<u>7,005,369</u>	<u>3,860,783</u>
Net assets – end of year	<u>\$ 67,152,589</u>	<u>7,259,043</u>	<u>4,205,268</u>

See accompanying notes to financial statements.

<u>Nonmajor funds</u>	<u>Totals</u>	<u>Governmental activities – Internal Service Funds</u>
-	13,262,880	-
-	9,670,940	-
3,480,136	10,945,092	13,562,899
<u>3,480,136</u>	<u>33,878,912</u>	<u>13,562,899</u>
1,212,135	8,486,029	2,592,395
1,866,586	9,840,835	9,101,698
-	2,108,031	918,756
202,257	2,865,689	30,488
676,673	6,582,216	263,256
364,550	2,563,550	394,800
116,660	337,501	19,884
<u>4,438,861</u>	<u>32,783,851</u>	<u>13,321,277</u>
<u>(958,725)</u>	<u>1,095,061</u>	<u>241,622</u>
465,865	465,865	-
54,287	1,333,466	255,677
(21,129)	(1,071,203)	-
(295)	(19,183)	976
<u>498,728</u>	<u>708,945</u>	<u>256,653</u>
(459,997)	1,804,006	498,275
52,872	3,071,791	-
(100,000)	(1,763,380)	-
<u>(507,125)</u>	<u>3,112,417</u>	<u>498,275</u>
<u>3,987,219</u>	<u>78,984,577</u>	<u>3,421,219</u>
<u><u>3,480,094</u></u>	<u><u>82,096,994</u></u>	<u><u>3,919,494</u></u>

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2007

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 23,084,316	6,075,443
Cash payments to suppliers	(9,083,718)	(3,391,052)
Cash payments to employees	(5,328,440)	(1,598,284)
Cash payments for interfund services	<u>(1,799,000)</u>	<u>(275,000)</u>
Net cash provided by (used in) operating activities	<u>6,873,158</u>	<u>811,107</u>
Cash flows from noncapital financing activities:		
Transfers	(1,312,380)	(351,000)
Loans/advances and repayments from (to) other funds	8,569	-
Operating grants	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(1,303,811)</u>	<u>(351,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(2,275,866)	-
Interest paid on long-term debt	(997,198)	-
Capital contributions	2,814,719	-
Proceeds from construction loan	4,509,678	-
Proceeds from sale of capital assets	47,468	23,887
Acquisition and construction of capital assets	<u>(9,918,572)</u>	<u>(918,227)</u>
Net cash used in capital and related financing activities	<u>(5,819,771)</u>	<u>(894,340)</u>
Cash flows from investing activities:		
Interest and investment earnings	<u>951,499</u>	<u>177,118</u>
Net cash provided by investing activities	<u>951,499</u>	<u>177,118</u>
Net increase in cash and cash equivalents	701,075	(257,115)
Cash and cash equivalents – beginning of year	<u>17,610,106</u>	<u>3,790,634</u>
Cash and cash equivalents – end of year	\$ <u><u>18,311,181</u></u>	\$ <u><u>3,533,519</u></u>

Stormwater Fund	Nonmajor Funds	Total	Governmental activities – Internal Service Funds
1,448,027	3,494,616	34,102,402	13,441,864
(282,459)	(2,198,536)	(14,955,765)	(10,073,536)
(187,687)	(1,180,172)	(8,294,583)	(2,547,760)
(125,000)	(364,550)	(2,563,550)	(394,800)
<u>852,881</u>	<u>(248,642)</u>	<u>8,288,504</u>	<u>425,768</u>
-	(100,000)	(1,763,380)	-
12,817	(243,059)	(221,673)	(29,212)
<u>-</u>	<u>1,061,525</u>	<u>1,061,525</u>	<u>-</u>
<u>12,817</u>	<u>718,466</u>	<u>(923,528)</u>	<u>(29,212)</u>
(244,194)	(45,000)	(2,565,060)	-
(93,429)	(21,590)	(1,112,217)	-
333,012	52,872	3,200,603	-
-	-	4,509,678	-
4,594	7,575	83,524	976
<u>(1,539,113)</u>	<u>(227,180)</u>	<u>(12,603,092)</u>	<u>(376,058)</u>
<u>(1,539,130)</u>	<u>(233,323)</u>	<u>(8,486,564)</u>	<u>(375,082)</u>
<u>95,104</u>	<u>50,180</u>	<u>1,273,901</u>	<u>233,614</u>
<u>95,104</u>	<u>50,180</u>	<u>1,273,901</u>	<u>233,614</u>
(578,328)	286,681	152,313	255,088
<u>2,493,825</u>	<u>812,441</u>	<u>24,707,006</u>	<u>5,568,247</u>
<u>1,915,497</u>	<u>1,099,122</u>	<u>24,859,319</u>	<u>5,823,335</u>

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2007

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 1,586,627	393,941
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,914,645	315,478
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(141,711)	28,675
(Increase) decrease in special assessments receivable	51,751	-
(Increase) decrease in miscellaneous receivables	-	-
(Increase) decrease in due from other governments	-	-
(Increase) decrease in inventories	(89,037)	-
(Increase) decrease in prepaid items	-	-
Increase (decrease) in accounts payable	212,808	20,608
Increase (decrease) in accrued payroll / personal leave	28,314	14,872
Increase (decrease) in due to other governments	460,177	-
Increase (decrease) in deferred revenue	(175,555)	-
Increase (decrease) in customer deposits	(44,166)	-
Increase (decrease) in insurance claims payable	-	-
Increase (decrease) in compensated absences payable	69,305	37,533
Net cash provided by (used in) operating activities	\$ <u>6,873,158</u>	<u>811,107</u>

See accompanying notes to financial statements.

Stormwater Fund	Nonmajor funds	Total	Governmental activities – Internal Service Funds
73,218	(958,725)	1,095,061	241,622
675,420	676,673	6,582,216	263,256
29,839	8,127	(75,070)	-
-	-	51,751	-
-	-	-	(133,008)
-	12,452	12,452	13,378
-	(5,709)	(94,746)	(22,420)
-	669	669	2,170
64,945	(7,993)	290,368	123,542
8,461	8,037	59,684	10,538
-	-	460,177	-
-	(8,085)	(183,640)	(1,405)
-	1,986	(42,180)	-
-	-	-	(106,002)
998	23,926	131,762	34,097
852,881	(248,642)	8,288,504	425,768

CITY OF NAPLES, FLORIDA

Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2007

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Cash and investments	\$ 3,147,111	7,566
Accounts receivable	44	-
Accrued interest	371,984	-
Investments, at fair value:		
Corporate bonds	11,172,905	-
U.S. Government securities	6,024,944	-
Common stock	56,264,962	-
Mortgage – backed securities	9,615,089	-
Mutual funds	5,142,999	-
Total investments	<u>88,220,899</u>	<u>-</u>
Total assets	<u>91,740,038</u>	<u>7,566</u>
Liabilities:		
Accounts payable	<u>44</u>	<u>7,566</u>
Total liabilities	<u>44</u>	<u>7,566</u>
Net assets:		
Held in trust for pension benefits and other purposes	<u>\$ 91,739,994</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, 2007

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employee contributions	\$ 1,617,671
Employer contributions	2,664,460
State contributions	1,769,045
Total contributions	<u>6,051,176</u>
Investment earnings:	
Interest and dividend income	3,057,755
Net appreciation in fair value of investments	7,307,596
Less investment expense	(447,344)
Net investment earnings	<u>9,918,007</u>
Total additions	<u>15,969,183</u>
Deductions:	
Benefits paid	3,752,201
Refunds of contributions	398,631
General administration	184,454
Total deductions	<u>4,335,286</u>
Change in net assets	11,633,897
Net assets – beginning of year	<u>80,106,097</u>
Net assets – end of year	<u>\$ 91,739,994</u>

See accompanying notes to financial statements.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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

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

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

(B) Government-Wide and Fund Financial Statements

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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 which are considered available if they are collected within 6 months of the end of the current fiscal year. Property taxes, gas tax, franchise and utility taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured.

The City reports the following major governmental funds:

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

Debt Service Fund – is used to account for the accumulation of resources for 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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

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

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.

(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 (generally short-term repurchase agreements) is allocated to participating funds based on average monthly invested balances.

(2) Receivables and Payables

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

(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 expenditure) until consumed, at which time, an 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 replacement is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

(5) Capital Assets

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

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Notes to Financial Statements

September 30, 2007

(8) Fund Equity

In the fund financial statements, reserves of governmental funds represent portions of fund balances not appropriate 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.

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 expenditure in the governmental funds. Such fees amounted to \$3,966,100 for fiscal year 2007, and included \$444,300 charged to internal service and fiduciary funds and \$958,250 charged to capital projects funds.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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

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

The governmental funds balance sheet includes a reconciliation between *total fund balances — governmental funds and net assets of 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 and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$20,114,830) difference are as follows:

Bonds payable	\$ (18,450,000)
Less issuance discounts (to be amortized as interest expense)	93,324
Compensated absences	<u>(1,758,154)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ (20,114,830)</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 \$1,788,386 difference are as follows:

Net pension assets	\$ 1,653,908
Unamortized bond issuance costs	<u>134,478</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 1,788,386</u>

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Notes to Financial Statements

September 30, 2007

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances — total governmental funds and changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$2,168,733 difference are as follows:

Capital outlay	\$	6,768,798
Depreciation expense, less internal service fund depreciation		<u>(4,600,065)</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>2,168,733</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 (\$270,998) difference are as follows:

The statement of activities report losses arising from the trade-in or the disposal of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in or disposal of capital assets	\$	<u>(270,998)</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>(270,998)</u></u>

Another element of that reconciliation states that “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.” The details of this \$1,070,000 difference are as follows:

Principal repayments:		
General obligation debt	\$	400,000
Revenue bonds debt		<u>670,000</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$	<u><u>1,070,000</u></u>

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Notes to Financial Statements

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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 \$318,744 difference are as follows:

Compensated absences	\$	(301,545)
Accrued interest		14,916
Amortization of issuance costs		(20,454)
Amortization of bond discounts		<u>(11,661)</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>(318,744)</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, and Land Conservation Trust Fund are the only governmental funds excluded from the appropriation process.

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

1. The budget process begins in March, with the development of the Capital Improvement Program and the Operating Budgets.
2. 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 the addition of employees require City Council approval via resolution.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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, 2007, expenditures exceeded appropriations as follows:

General Fund – Fire Department	\$	1,033,787
General Fund – Police Department		870,536
General Fund – City Clerk		17,357

In the General fund, the overages were funded by sufficient unused appropriations within the fund, as well as contributions from the State of Florida for their share of contributions to the Police Officers' and Firefighters' pension plans.

(C) Deficit Fund Balances

The Community Development Block Grant Fund has a deficit fund balance of \$10,771 at September 30, 2007. This deficit will be recovered through future recoveries from the granting agency.

The Construction Management internal service fund has deficit net assets of \$136,396 at September 30, 2007. This deficit, which is due to the recording but not recovering of compensated absences, will be recovered in future years through charges to participating funds.

(IV) Detailed Notes on All Funds

(A) Cash and Investments

On September 7, 2005, the City Council formally adopted a comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the City's cash and investment assets. The City maintains a common cash and investment pool for the use of all funds. In addition, several separate accounts are maintained for specialty purposes including debt service, capital projects and trust funds.

Cash and Cash Equivalents

At September 30, 2007, the carrying amount of the City's bank deposit account was \$6,169,542. The City's cash deposits are 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.

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Cash Equivalents consist of 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, a Securities and Exchange Commission Rule 2a7-like external investment pool, in the amount of \$32,616,962 is reported at amortized cost. The investment pool had an average of 32 days to maturity as of September 30, 2007.

Investment Portfolios

Investment holdings consist of a \$39,133,693 Investment Portfolio and an \$88,220,899 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, Collateralized Mortgage Obligations, Interest Bearing Time Deposit or Saving Accounts, Repurchase Agreements, Commercial Paper, Bankers' Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered and Investment Companies (Mutual Funds).

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

As of September 30, 2007, the City had the following investments and effective duration presented in terms of years:

Investment Portfolio

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

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Investment Portfolio

Investment	Fair value	Average effective duration
United States Treasury - Notes	\$ 9,941,117	1.320
Federal Agency - Notes	18,484,020	1.148
Federal Agency - Mortgage Backed Notes	4,275,801	0.252
Corporate - Note	1,975,832	0.898
Commercial Paper	3,592,206	0.024
Government Trust Money Market	864,717	0.330
Total	\$ <u>39,133,693</u>	1.000

Interest receivable on the City's investment portfolio amounted to \$253,412 as of September 30, 2007.

Pension Portfolio

Investment	Fair value	Average effective duration
United States Government Securities	\$ 6,024,944	
Corporate Bonds	11,172,905	
Corporate Stocks	56,264,962	
Asset Backed Securities	9,615,089	
Mutual Funds	5,142,999	
Total	\$ <u>88,220,899</u>	3.530

Interest receivable on the City's pension portfolio amounted to \$371,984 as of September 30, 2007.

Interest Rate Risk

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

The City utilizes "effective duration" as a measurement of interest rate risk and as of September 30, 2007, the investment portfolio had an effective duration of 2.127 years. The chart below shows the City's investments by investment portfolio and their respective duration:

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September 30, 2007

<u>Cash and Investment Accounts</u>	<u>Fair value</u>	<u>Average effective duration</u>
Cash	\$ 6,169,542	-
Local Government Surplus Funds Trust Fund ("SBA")	32,616,962	0.089
Investment Portfolio	39,133,693	1.000
Pension Portfolio	88,220,899	3.530
Total	\$ <u>166,141,096</u>	2.127

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, 2007, the City's investment securities in the investment and pension portfolios, valued at \$39,133,693 and \$88,220,899, respectively, were individually rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

The City's cash balance of \$6,024,944 was deposited in a qualified public depository, as required by Chapter 280, Florida Statutes.

The Pension portfolio also contains \$56,264,962 in Equity Securities and \$5,142,999 in Mutual Funds.

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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 purchase 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, 2007, 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.

A maximum of 100% of available funds may be invested in the SBA or United States Government Securities. Only 50% of available funds may be invested in Federal Instrumentalities, 10% of available funds may be invested in non-negotiable interest bearing time certificates of deposit, 20% of available funds may be invested in repurchase agreements, 25% of available funds may be directly invested in prime commercial paper, 25% of available funds may be directly invested in Bankers' Acceptances, 25% of available funds may be invested in State and/or Local Government debts, 15% of available funds may be invested in corporate notes.

As of September 30, 2007, the City's Investment Portfolio had the following issuer concentration based on fair value:

<u>Issuer</u>	<u>Fair value</u>	<u>Percentage of portfolio</u>
Cash	\$ 3,022,431	4.04%
Local Government Surplus Funds Trust Fund ("SBA")	32,616,962	43.62%
United States Treasury	9,941,117	13.30%
Federal Agency - Mortgage Backed Notes	4,275,801	5.72%
Federal Agency - Notes	18,484,020	24.72%
Corporate Note	1,975,832	2.64%
Commercial Paper	3,592,206	4.80%
Money Market Mutual Funds	864,717	1.16%
	<u>\$ 74,773,086</u>	

THE CITY OF NAPLES, FLORIDA

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

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, 2007, the City's Pension Portfolio had the following issuer concentration based on fair value:

Issuer	Fair value	Percentage of portfolio
Cash	\$ 3,147,111	3.44%
United States Government Securities	6,024,944	6.59%
Corporate Bonds	11,172,905	12.23%
Corporate Stocks	56,264,962	61.58%
Asset Backed Securities	9,615,089	10.52%
Mutual Funds	5,142,999	5.63%
	<u>\$ 91,368,010</u>	

Foreign Currency Risk

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

(B) Property Taxes

The City's property tax is levied each November 1, on the assessed value for all property located within the City. Assessed values are established by the Collier County Property Appraiser at fair values. At January 1, 2006, the assessed value of the principal taxing authority's property upon which the 2006-07 levy was based, was \$16.4 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2007, was 1.2450 (\$1.2450 per \$1,000 of assessed value). The voted debt service millage was 0.0364 (\$0.0364 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, 2006, of the dependent special districts, East Naples Bay and Moorings Bay, were \$535 million, and \$1,656 million, respectively. In addition to the City's millage rate and the voted debt service millage rate, 0.5000 (\$0.5000 per \$1,000 of assessed value) is added to the East Naples Bay dependent special district and 0.0250 (\$0.0250 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, 2007. Total ad valorem taxes collected for the year ended September 30, 2007, aggregated \$20,779,629, net of cash discounts, of

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which \$19,076,769 was designated for general government services, \$827,187 for capital projects, \$581,901 for debt service on the general obligation debt, and \$293,772 for the special districts.

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 the total taxable valuation is established by the Collier County Property Appraiser for City property, and the list of property assessments is submitted to the State Department of Revenue for approval.

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 2007 tax roll year, the assessment roll was opened for collection on November 1, 2006, and discounts for payment prior to April 1, 2007, were determined as follows:

Discounts allowed

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

Taxes become delinquent on April 1, of each year and tax certificates for the full amount of any unpaid taxes must be sold no later than June 1 of the same year. No amount for the property tax levy becoming due in November 2007 is included in the accompanying financial statements since such taxes are levied to finance expenditures of the subsequent period.

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Notes to Financial Statements

September 30, 2007

(C) Receivables

Receivables at September 30, 2007, 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	\$ 545,839	-	-	616,594	61,001	1,223,434
Debt service	-	-	213,215	67,922	-	281,137
Capital projects	-	150,092	-	77,870	30,883	258,845
Community Redevelopment	-	-	-	-	22,340	22,340
Streets and traffic	-	-	-	1,124,683	13,685	1,138,368
Nonmajor	1,876	-	-	-	29,538	31,414
Internal service	141,436	-	-	2,192	22,063	165,691
	<u>\$ 689,151</u>	<u>150,092</u>	<u>213,215</u>	<u>1,889,261</u>	<u>179,510</u>	<u>3,121,229</u>
Business type activities:						
Major funds:						
Water and sewer	\$ 4,930,697	182,249	-	-	-	5,112,946
Solid waste	1,015,088	-	-	-	-	1,015,088
Stormwater	248,078	-	-	41,988	-	290,066
Nonmajor	44,674	-	-	5,682	400	50,756
	<u>\$ 6,238,537</u>	<u>182,249</u>	<u>-</u>	<u>47,670</u>	<u>400</u>	<u>6,468,856</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, 2007, are as follows:

Water and Sewer Fund	\$ 40,512
Solid Waste Fund	<u>9,000</u>
Total	<u>\$ 49,512</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

(D) Capital Assets

Governmental Activities:

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2007, is as follows:

Governmental activities	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 11,791,787	-	-	11,791,787
Construction in progress	3,133,191	337,403	(3,073,093)	397,501
Total capital assets not being depreciated	<u>14,924,978</u>	<u>337,403</u>	<u>(3,073,093)</u>	<u>12,189,288</u>
Capital assets being depreciated:				
Buildings and utility plants	27,575,499	541,540	(108,861)	28,008,178
Improvements other than buildings	23,013,372	5,758,709	(1,585,064)	27,187,017
Infrastructure	27,199,465	1,885,474	(92,768)	28,992,171
Equipment	14,599,015	1,694,824	(1,136,343)	15,157,496
Total capital assets being depreciated	<u>92,387,351</u>	<u>9,880,547</u>	<u>(2,923,036)</u>	<u>99,344,862</u>
Less accumulated depreciation for:				
Buildings	(7,959,060)	(892,018)	89,083	(8,761,995)
Improvements other than buildings	(11,356,608)	(1,536,375)	1,385,370	(11,507,613)
Infrastructure	(15,452,173)	(863,040)	42,520	(16,272,693)
Equipment	(8,851,211)	(1,536,309)	1,099,483	(9,288,037)
Total accumulated depreciation	<u>(43,619,052)</u>	<u>(4,827,742)</u>	<u>2,616,456</u>	<u>(45,830,338)</u>
Total capital assets being depreciated, net	<u>48,768,299</u>	<u>5,052,805</u>	<u>(306,580)</u>	<u>53,514,524</u>
Total governmental capital assets, net	<u>\$ 63,693,277</u>	<u>5,390,208</u>	<u>(3,379,673)</u>	<u>65,703,812</u>

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Notes to Financial Statements

September 30, 2007

Business-Type Activities:

A summary of changes in capital assets of business-type activities for the year ended September 30, 2007, 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	2,825,663	1,576,942	(2,308,542)	2,094,063
Total capital assets not being depreciated	<u>4,557,646</u>	<u>1,576,942</u>	<u>(2,308,542)</u>	<u>3,826,046</u>
Capital assets being depreciated:				
Buildings and utility plants	57,125,980	231,766	(46,563)	57,311,183
Improvements other than buildings	19,165,871	663,506	(164,449)	19,664,928
Infrastructure	52,427,848	9,473,467	(204,955)	61,696,360
Machinery and equipment	10,976,977	1,682,808	(1,173,864)	11,485,921
Total capital assets being depreciated	<u>139,696,676</u>	<u>12,051,547</u>	<u>(1,589,831)</u>	<u>150,158,392</u>
Less accumulated depreciation for:				
Buildings	(19,193,549)	(1,302,978)	19,366	(20,477,161)
Improvements other than buildings	(9,601,336)	(1,159,369)	34,419	(10,726,286)
Infrastructure	(31,811,103)	(1,370,400)	226,241	(32,955,262)
Equipment	(9,567,948)	(1,051,049)	1,194,015	(9,424,982)
Total accumulated depreciation	<u>(70,173,936)</u>	<u>(4,883,796)</u>	<u>1,474,041</u>	<u>(73,583,691)</u>
Total capital assets being depreciated, net	<u>69,522,740</u>	<u>7,167,751</u>	<u>(115,790)</u>	<u>76,574,701</u>
Water and sewer fund capital assets, net	<u>\$ 74,080,386</u>	<u>8,744,693</u>	<u>(2,424,332)</u>	<u>80,400,747</u>

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Notes to Financial Statements

September 30, 2007

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	522,015	6,775	-	528,790
Improvements other than buildings	976,102	18,763	-	994,865
Equipment	2,034,493	892,689	(233,410)	2,693,772
Total capital assets being depreciated	<u>3,532,610</u>	<u>918,227</u>	<u>(233,410)</u>	<u>4,217,427</u>
Less accumulated depreciation for:				
Buildings	(148,869)	(26,672)	-	(175,541)
Improvements other than buildings	(630,536)	(59,406)	-	(689,942)
Equipment	(1,310,023)	(229,399)	229,862	(1,309,560)
Total accumulated depreciation	<u>(2,089,428)</u>	<u>(315,477)</u>	<u>229,862</u>	<u>(2,175,043)</u>
Total capital assets being depreciated, net	<u>1,443,182</u>	<u>602,750</u>	<u>(3,548)</u>	<u>2,042,384</u>
Solid waste capital assets, net	\$ <u>2,588,235</u>	<u>602,750</u>	<u>(3,548)</u>	<u>3,187,437</u>
Stormwater Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 19,814	-	-	19,814
Construction in progress	318,710	173,063	(315,973)	175,800
Total capital assets not being depreciated	<u>338,524</u>	<u>173,063</u>	<u>(315,973)</u>	<u>195,614</u>
Capital assets being depreciated:				
Improvements other than buildings	7,454,207	946,422	-	8,400,629
Machinery and equipment	305,238	217,291	(238,309)	284,220
Total capital assets being depreciated	<u>7,759,445</u>	<u>1,163,713</u>	<u>(238,309)</u>	<u>8,684,849</u>
Less accumulated depreciation for:				
Improvements other than buildings	(3,046,305)	(657,385)	-	(3,703,690)
Equipment	(295,598)	(18,035)	238,309	(75,324)
Total accumulated depreciation	<u>(3,341,903)</u>	<u>(675,420)</u>	<u>238,309</u>	<u>(3,779,014)</u>
Total capital assets being depreciated, net	<u>4,417,542</u>	<u>488,293</u>	<u>-</u>	<u>4,905,835</u>
Stormwater capital assets, net	\$ <u>4,756,066</u>	<u>661,356</u>	<u>(315,973)</u>	<u>5,101,449</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

<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	\$ 1,921,320	-	(6,949)	1,914,371
Improvements other than buildings	6,597,616	178,571	(165,760)	6,610,427
Equipment	995,229	48,608	(75,812)	968,025
Total capital assets being depreciated	<u>9,514,165</u>	<u>227,179</u>	<u>(248,521)</u>	<u>9,492,823</u>
Less accumulated depreciation for:				
Buildings	(741,953)	(128,530)	7,363	(863,120)
Improvements other than buildings	(4,508,144)	(446,215)	129,379	(4,824,980)
Equipment	(716,868)	(101,999)	104,220	(714,647)
Total accumulated depreciation	<u>(5,966,965)</u>	<u>(676,744)</u>	<u>240,962</u>	<u>(6,402,747)</u>
Total capital assets being depreciated, net	<u>3,547,200</u>	<u>(449,565)</u>	<u>(7,559)</u>	<u>3,090,076</u>
Nonmajor funds capital assets, net	<u>\$ 3,547,200</u>	<u>(449,565)</u>	<u>(7,559)</u>	<u>3,090,076</u>
Total business-type capital assets, net	<u>\$ 84,971,887</u>	<u>9,559,234</u>	<u>(2,751,412)</u>	<u>91,779,709</u>

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

Governmental activities:	
General government	\$ 456,678
Public safety	984,362
Physical and economic environment	610,291
Transportation	1,156,787
Cultural and recreation	1,391,947
Internal service	<u>263,256</u>
Total depreciation expense - governmental activities	<u>\$ 4,863,321</u>
Business-type activities:	
Water and sewer	\$ 4,908,195
Solid waste	315,478
Stormwater	675,420
Other	<u>676,434</u>
Total depreciation expense - business-type activities	<u>\$ 6,575,527</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

(E) Interfund Transactions

Advances from/to other funds:

	<u>Advances receivable</u>	<u>Advances payable</u>
Governmental activities:		
General Fund	\$ 533,927	-
Capital Projects Fund	479,367	-
Streets and Traffic Fund	300,227	-
Community Redevelopment Fund	-	1,354,276
Nonmajor Funds:		
Community Development Block Grant Fund	-	10,771
Business-type activities:		
Water and Sewer Fund	10,771	-
Stormwater Fund	40,755	-
	<u>\$ 1,365,047</u>	<u>1,365,047</u>

Advances to other funds represent funds of the community redevelopment fund used to construct a facility which will be reimbursed from grant proceeds when received. Advances expected to be repaid within one year are \$359,674.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

Interfund Transfers:

Transfers during the year ended September 30, 2007, consisted of the following:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental activities:		
General Fund	\$ 1,856,449	1,411,600
Debt Service Fund	407,123	2,269,404
Capital Projects Fund	2,269,404	93,069
Streets and Traffic Fund	1,000,000	-
Community Redevelopment Fund	11,600	407,123
Nonmajor Funds:		
Land Conservation Trust Fund	400,000	-
Business-type activities:		
Water and sewer Fund	-	1,312,380
Solid waste Fund	-	351,000
Nonmajor Fund – City dock Fund	-	100,000
	<u>\$ 5,944,576</u>	<u>5,944,576</u>

The enterprise funds of the business-type activities transferred \$1,763,380 of payments in lieu of taxes to the General Fund, and the Capital Projects Fund transferred \$93,069 for landscaping of Riley Park. Transfers out of the General Fund included \$1,000,000 to the Streets Fund in order to make up a portion of the City's reduced gas tax allocation and \$400,000 to the Land Conservation Trust Fund. The Community Development Fund transferred \$407,123 to the Debt Service Fund for principal and interest payments on the parking garage. Transfers to the Capital Projects Fund represent utility taxes collected in the Debt Service Fund which were transferred where the expenditures will be incurred.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

(F) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2007, 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>Other current liabilities</u>	<u>Total</u>
Governmental activities:				
Major funds:				
General	\$ 688,741	914,126	5,838	1,608,705
Capital projects	342,725	-	-	342,725
Community redevelopment	143,997	22,416	-	166,413
Streets and traffic	1,392,559	16,267	-	1,408,826
Nonmajor	523,821	76,009	-	599,830
Internal service	304,187	98,277	-	402,464
	<u>\$ 3,396,030</u>	<u>1,127,095</u>	<u>5,838</u>	<u>4,528,963</u>
Business-type activities:				
Major funds:				
Water and sewer	\$ 2,479,107	213,390	-	2,692,497
Solid waste	286,864	59,942	-	346,806
Stormwater	92,647	11,136	-	103,783
Nonmajor	133,620	45,005	-	178,625
	<u>\$ 2,992,238</u>	<u>329,473</u>	<u>-</u>	<u>3,321,711</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

(G) Long-Term Obligations

Governmental activities long-term obligations at September 30, 2007, are comprised of the following:

Public Service Tax Refunding Revenue Bonds, Series 1993, issued in the amount of \$5,263,189, due in annual installments of \$135,000 to \$723,328 through July 1, 2009, with interest rates ranging from 4.20% to 5.125%. Public service taxes are pledged to secure this issue.	\$ 290,000
General Obligation Bonds, Series 2000, issued in the amount of \$8,460,000 for the acquisition of certain real property within the City for open space and other public purposes, due in annual installments of \$190,000 to \$815,000 through March 1, 2015. Ad valorem taxes are pledged to secure this issue. Interest rates range from 5.00% to 5.20%.	870,000
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 \$183,300 to \$878,900 through July 1, 2021. Public service taxes are pledged to secure this issue. Interest rates range from 4.10% to 5.00%.	9,075,000
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 \$250,000 to \$415,000 through December 1, 2021. Non - ad valorem taxes are pledged to secure this issue. Interest rate is 3.58%.	5,045,000
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	(93,324)
Claims payable	2,360,000
Compensated absences payable	2,058,264
	<u>\$ 22,774,940</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

Changes in long-term obligations for the governmental activities for the year ended September 30, 2007, are as follows:

<u>Governmental Activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30</u>	<u>Due in One Year</u>
Bonds payable:					
2000 General Obligation Bonds	\$ 1,270,000	-	(400,000)	870,000	425,000
2004 General Obligation Bonds	3,170,000	-	-	3,170,000	-
1993 Public Service Tax Refunding Bonds	425,000	-	(135,000)	290,000	140,000
2001 Public Service Tax Revenue Bonds	9,390,000	-	(315,000)	9,075,000	330,000
2003 Redevelopment Revenue and Refunding Bonds	5,265,000	-	(220,000)	5,045,000	230,000
	<u>19,520,000</u>	<u>-</u>	<u>(1,070,000)</u>	<u>18,450,000</u>	<u>1,125,000</u>
Less: unamortized discounts	(104,985)		11,661	(93,324)	(11,661)
Total bonds payable	<u>19,415,015</u>	<u>-</u>	<u>(1,058,339)</u>	<u>18,356,676</u>	<u>1,113,339</u>
Claims payable	2,466,002	6,284,107	(6,390,109)	2,360,000	1,209,855
Compensated absences payable	1,722,622	814,860	(479,218)	2,058,264	365,110
Total	<u>\$ 23,603,639</u>	<u>7,098,967</u>	<u>(7,927,666)</u>	<u>22,774,940</u>	<u>2,688,304</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 \$300,110 in compensated absences and \$2,360,000 in claims payable of internal service funds are included in the above amounts. The compensated balances are made up by the following funds: General Fund \$1,629,029, Building and Zoning Fund \$59,637, Community Redevelopment Fund \$6,195, Streets and Traffic Fund \$63,293 and internal service funds \$300,110.

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

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2008	\$ 1,125,000	775,232
2009	1,195,000	723,405
2010	1,255,000	671,921
2011	1,320,000	621,629
2012	1,370,000	569,280
2013-2017	6,725,000	1,986,033
2018-2022	5,460,000	628,217
	<u>\$ 18,450,000</u>	<u>5,975,717</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

Long-term liabilities of the business-type activities at September 30, 2007 are comprised of the following issues:

Water and Sewer Fund:

Capital Improvement Revenue Note, Series 2005, issued for an amount not to exceed \$10,000,000 for the construction of reuse water lines. This note shall have a final maturity date of March 1, 2008. Interest on the principal balance shall be equal to 67% of LIBOR minus .15% adjusted monthly on the 12th day of each month. Interest payments commenced March 1, 2006 and continue on each subsequent September 1 and March 1 thereafter until the maturity date. \$ 5,819,678

Water and Sewer Revenue Refunding Bonds, Series 2002, issued in the amount of \$12,980,000 to fully refund the City's Water and Sewer Revenue Refunding Bonds, Series 1992, due in annual installments of \$775,000 to \$1,290,000 through September 1, 2015, with interest rates ranging from 3.50% to 5.00%. The principal and interest is payable and secured by the net revenue of the water and sewer system and from the investment of monies in various funds established by ordinance. 8,805,000

State of Florida Revolving Loan Funds, used to upgrade and expand the City's water and sewage treatment plant, payable in equal semi-annual installments of principal and interest for a period of 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%. 18,427,069

Unamortized issuance discounts (29,089)

Unamortized original issue premium 72,192

Unamortized deferred loss on refunding (120,801)

Compensated absences payable 338,681

Total water and sewer fund \$ 33,312,730

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

Solid Waste Fund:

Compensated absences payable	\$	<u>143,470</u>
Total solid waste fund	\$	<u><u>143,470</u></u>

Stormwater Fund:

State of Florida Revolving Loan Fund, for improvements to the City's stormwater system, payable in equal semi-annual installments of principal and interest for a period of twenty (20) years until final maturity on June 15, 2021. The loan was approved in the amount of \$4,830,210 at an interest rate of 3.03.

	\$	2,900,622
Compensated absences payable		<u>3,215</u>
Total stormwater fund	\$	<u><u>2,903,837</u></u>

Nonmajor fund - City Tennis Fund:

\$605,000 Public Service Tax Refunding Bonds, Series 2001, 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 4.10% 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.

	\$	445,000
Compensated absences payable		<u>71,152</u>
Total nonmajor fund - city tennis fund	\$	<u><u>71,152</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

Changes in long-term liabilities for the business-type activities for the year ended September 30, 2007, 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:					
Water and Sewer Revenue Refunding, Series 2002	\$ 9,705,000	-	(900,000)	8,805,000	940,000
Water and Sewer - State Revolving Fund	19,802,935	-	(1,375,866)	18,427,069	1,368,160
Capital Improvement Note, Series 2005	1,310,000	4,509,678	-	5,819,678	5,819,678
Stormwater - State Revolving Fund	3,144,816	-	(244,194)	2,900,622	169,155
Public Service Tax Revenue Refunding, Series 2001	490,000	-	(45,000)	445,000	45,000
	<u>34,452,751</u>	<u>4,509,678</u>	<u>(2,565,060)</u>	<u>36,397,369</u>	<u>8,341,993</u>
Plus: unamortized premium	81,608		(9,416)	72,192	9,416
Less: deferred loss on refunding	(135,901)		15,100	(120,801)	(15,100)
Less: unamortized discounts	(32,883)		3,794	(29,089)	(3,794)
Total bonds payable	<u>34,365,575</u>	<u>4,509,678</u>	<u>(2,555,582)</u>	<u>36,319,671</u>	<u>8,332,515</u>
Compensated absences payable	424,756	185,560	(53,798)	556,518	63,428
Total	<u>\$ 34,790,331</u>	<u>4,695,238</u>	<u>(2,609,380)</u>	<u>36,876,189</u>	<u>8,395,943</u>

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

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:		
2008	\$ 8,173,808	976,484
2009	2,433,467	837,670
2010	2,513,907	754,599
2011	2,600,482	668,146
2012	2,693,224	577,479
2013-2017	12,260,447	1,377,567
2018-2022	<u>2,376,412</u>	<u>86,838</u>
	<u>\$ 33,051,747</u>	<u>5,278,783</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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:		
2008	\$ 169,155	86,617
2009	174,319	81,453
2010	179,640	76,131
2011	185,125	70,647
2012	190,777	64,995
2013-2017	1,044,887	233,971
2018-2021	956,719	66,368
	<u>\$ 2,900,622</u>	<u>680,182</u>

Annual debt service requirements to maturity for nonmajor funds business-type activities are as follows:

Nonmajor Enterprise Funds:

Nonmajor Funds:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2008	\$ 45,000	19,553
2009	50,000	17,708
2010	50,000	15,658
2011	55,000	13,558
2012	55,000	11,220
2013-2015	190,000	18,225
	<u>\$ 445,000</u>	<u>95,922</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 capitalized during the year ended September 30, 2007, in the Water and Sewer fund in the amount of \$119,513.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

Defeased Debt

As of September 30, 2007, the following issue has been defeased by refunding issues and remains outstanding:

	Defeased bonds outstanding
Water and Sewer Refunding Revenue Bonds, Series 1977	\$ 7,670,000
General Obligation Bonds, Series 2000	280,000
	<hr/>
	7,950,000
	<hr/> <hr/>

(H) Fund Equity

The following is a summary of fund balances that were unreserved, designated as of September 30, 2007:

Reserved for	General Fund	Capital Projects	Other nonmajor governmental funds
Emergency	\$ 3,506,034	-	-
Sable bay litigation	13,791	-	-
Low income housing	-	182,843	-
Donation requests	-	-	140,158
	<hr/>	<hr/>	<hr/>
	\$ 3,519,825	182,843	140,158
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

(I) Additional Information

The City has one nonmajor enterprise fund which has revenue bonds outstanding at September 30, 2007. 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, 2007 follows:

Statement of Net Assets

Cash and investments	\$	194,005
Inventories		7,132
Accrued interest		753
Restricted assets		<u>16,259</u>
Total current assets		218,149
Other assets		2,152
Capital assets, net		<u>440,841</u>
Total assets		<u>661,142</u>
Current liabilities		75,089
Current liabilities (payable from restricted assets)		16,139
Noncurrent liabilities		<u>411,000</u>
Total liabilities		<u>502,228</u>
Net assets:		
Invested in capital assets, net of related debt		(4,159)
Restricted for debt service		11,250
Unrestricted		<u>151,823</u>
Total net assets	\$	<u><u>158,914</u></u>

Statement of Changes in Net Assets

Operating revenues:		
Charges for services	\$	<u>559,561</u>
Total operating revenues		<u>559,561</u>
Operating expenses		430,721
Depreciation and amortization		<u>36,929</u>
Total operating expenses		<u>467,650</u>
Operating income		91,911
Nonoperating revenues (expenses):		
Interest income		14,352
Interest expense		(21,129)
Gain on sale of capital assets		<u>2,021</u>
Change in net assets		<u>87,155</u>
Net assets – beginning of year		<u>71,759</u>
Net assets – end of year	\$	<u><u>158,914</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

Statement of Cash Flows

Cash flows from operating activities:	
Cash received from customers	\$ 556,683
Cash payments to suppliers	(214,346)
Cash payments to employees	(182,305)
Cash payments for interfund services	<u>(30,000)</u>
Net cash provided by operating activities	<u>130,032</u>
Cash flows from capital and related financing activities:	
Principal paid on long term debt	(45,000)
Interest paid on long term debt	(21,590)
Acquisition and construction of capital assets	(20,485)
Proceeds from sale of capital assets	<u>2,021</u>
Net cash used in capital and related financing activities	<u>(85,054)</u>
Cash flows from investing activities:	
Interest and investment earnings	<u>13,599</u>
Net cash provided by investing activities	<u>13,599</u>
Net increase in cash and cash equivalents	58,577
Cash and cash equivalents, beginning of year	<u>151,687</u>
Cash and cash equivalents, end of year	\$ <u><u>210,264</u></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 nonbargaining 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 07-11740. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

The payroll for employees covered by the plan and the government's total payroll for the year ended September 30, 2007, and current membership, as of October 1, 2007, the date of the most recent actuarial valuation, is as follows:

General pension plan:	
Covered payroll for the year ended September 30, 2007	\$ 13,816,182
Covered payroll as a percentage of the City's total payroll of \$ 21,853,692	63.2%
Retirees and beneficiaries currently receiving benefits (disabled)	189
Vested terminated employees	21
Active employees:	
Fully vested	179
Nonvested	123

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 March 31, 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, 2007, 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, 2007, there was no investment type or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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

The Plan's funding policy requires employees to contribute not less than 5% of compensation to the Plan on a pre-tax basis. 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 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% per year, compounded annually, net of investment-related expenses. Salary increases range from 6% to 13% each year based on service, up to retirement age (normal retirement date) including merit or seniority increases. The actuarial value of assets is developed based on a method that recognizes 20% of the difference between the market value and expected actuarial value of assets. The Plan provides for a 3% inflation rate.

General – Three Year Trend Information

General - Three Year Trend Information

Year ending:	<u>Annual Pension Cost (APC)</u>	<u>% of APC contributed</u>	<u>Net pension obligation</u>
09/30/07	1,137,991	101.9%	(656,671)
09/30/06	1,028,430	101.5%	(634,492)
09/30/05	920,693	108.9%	(618,959)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual Required Contributions (ARC)	\$ 1,094,083	982,267	882,965
Interest on Net Pension Obligation (NPO)	(53,932)	(52,612)	(45,665)
Adjustment to ARC	<u>(97,840)</u>	<u>(98,775)</u>	<u>(83,393)</u>
Annual Pension Cost (APC)	1,137,991	1,028,430	920,693
Contributions Made	<u>1,160,170</u>	<u>1,043,963</u>	<u>1,002,415</u>
Increase (decrease) in NPO	(22,179)	(15,533)	(81,722)
NPO at beginning of year	<u>(634,492)</u>	<u>(618,959)</u>	<u>(537,237)</u>
NPO at end of year	<u><u>\$ (656,671)</u></u>	<u><u>(634,492)</u></u>	<u><u>(618,959)</u></u>

ii. Police Officers' Pension Plan

The Police Officers Retirement Plan provides benefits for all full-time sworn Police personnel of the City. All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 06-11100. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report.

The payroll for employees covered by the Plan and the government's total payroll for the year ended September 30, 2007, and current membership, as of October 1, 2007, the date of the most recent actuarial valuation is as follows:

Police pension plan:

Covered payroll for the year ended September 30, 2007	\$ 4,485,034
Covered payroll as a percentage of the City's total payroll of \$ 21,853,692	20.5%
Retirees and beneficiaries currently receiving benefits	40
Vested terminated employees	16

Active employees:

Fully vested	44
Nonvested	26

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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 or 25 years of credited service regardless of age; benefits 3.6% 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, 2007, 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, 2007, 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 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 the Plan assets. The

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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, 2007, was \$740,323. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

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 8.00% per year, compounded annually, net of investment-related expenses. Salary increases range from 6% to 13% each year based on service, up to retirement age (normal retirement date) including merit or seniority increases. The actuarial value of assets as of October 1, 2007, was set equal to the market value of the assets. For future valuations, the asset valuation has changed to a method that recognizes 20% of the difference between the market value and expected actuarial value of assets, on the valuation date. 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>
09/30/07	1,373,995	99.4%	(552,866)
09/30/06	1,093,836	95.2%	(560,527)
09/30/05	947,581	100.1%	(612,520)

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual Required Contributions (ARC)	\$ 1,333,101	1,041,843	902,963
Interest on Net Pension Obligation (NPO)	(44,842)	(50,533)	(52,009)
Adjustment to ARC	(85,736)	(102,526)	(96,627)
Annual Pension Cost (APC)	1,373,995	1,093,836	947,581
Contributions Made	1,366,334	1,041,843	948,232
Increase (decrease) in NPO	7,661	51,993	(651)
NPO at beginning of year	(560,527)	(612,520)	(611,869)
NPO at end of year	\$ <u>(552,866)</u>	<u>(560,527)</u>	<u>(612,520)</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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 07-11738. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report.

The payroll for employees covered by the Plan and the government's total payroll for the year ended September 30, 2007, and current membership, as of October 1, 2007, the date of the most recent actuarial valuation, is as follows:

Firefighters' pension plan:		
Covered payroll for the year ended September 30, 2007	\$	3,552,476
Covered payroll as a percentage of the City's total payroll of \$ 21,853,692		16.3%
Retirees and beneficiaries currently receiving benefit (includes 1 disability)		20
Vested terminated employees		6
Active employees:		
Fully vested		43
Nonvested		12

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

	Benefits	Vesting
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.

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Notes to Financial Statements

September 30, 2007

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.

As of September 30, 2007, 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, 2007, 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 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 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, 2007, was \$1,028,722. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

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 range from 7.5% to 13% each year based on service, up to retirement age (normal retirement date) including merit or seniority increases. The actuarial value of assets as of October 1, 2007, was set equal to the market value of assets. For future valuations, the asset valuation has changed to a method that recognizes 20% of the difference between the market value and expected actuarial value of assets on the valuation date. The plan provides for post retirement benefit increases of 3% per year starting at age 50.

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Notes to Financial Statements

September 30, 2007

Fire - Three Year Trend Information

Year ending:	<u>Annual Pension Cost (APC)</u>	<u>% of APC contributed</u>	<u>Net pension obligation</u>
09/30/07	1,278,677	105.5%	(444,371)
09/30/06	1,004,049	99.3%	(374,565)
09/30/05	856,239	97.5%	(381,619)

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual Required Contributions (ARC)	\$ 1,252,682	976,355	831,293
Interest on Net Pension Obligation (NPO)	(28,092)	(30,530)	(34,252)
Adjustment to ARC	<u>(54,087)</u>	<u>(58,224)</u>	<u>(59,198)</u>
Annual Pension Cost (APC)	1,278,677	1,004,049	856,239
Contributions Made	<u>1,348,483</u>	<u>996,995</u>	<u>834,898</u>
Increase (decrease) in NPO	(69,806)	7,054	21,341
NPO at beginning of year	<u>(374,565)</u>	<u>(381,619)</u>	<u>(402,960)</u>
NPO at end of year	<u>\$ (444,371)</u>	<u>(374,565)</u>	<u>(381,619)</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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, 2007:

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	\$ 814,942	1,212,462	1,119,707
Receivables:			
Accounts	44	-	-
Accrued interest	148,230	122,895	100,859
Investments, at fair value:			
Corporate bonds	4,593,068	3,645,823	2,934,014
U.S. Government securities	2,302,961	2,041,267	1,680,716
Common stock	25,246,098	17,220,296	13,798,568
Mortgage – backed securities	3,867,288	3,136,965	2,610,836
Total investments	<u>36,009,415</u>	<u>26,044,351</u>	<u>21,024,134</u>
Total assets	<u>36,972,631</u>	<u>27,379,708</u>	<u>22,244,700</u>
Liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>44</u>
Net assets:			
Held in trust for pension benefits	\$ <u>36,972,631</u>	<u>27,379,708</u>	<u>22,244,656</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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	\$ 637,592	237,303	260,285
Employer contributions	1,160,170	706,787	572,674
Direct state contributions	-	740,323	1,028,722
	<u>1,797,762</u>	<u>1,684,413</u>	<u>1,861,681</u>
Total contributions			
Investment earnings:			
Interest and dividend income	1,052,477	773,900	627,885
Net appreciation in fair value of investments	3,284,638	2,238,448	1,795,819
Less investment expense	<u>(206,837)</u>	<u>(126,473)</u>	<u>(113,918)</u>
	<u>4,130,278</u>	<u>2,885,875</u>	<u>2,309,786</u>
Net investment earnings			
Total additions	<u>5,928,040</u>	<u>4,570,288</u>	<u>4,171,467</u>
Deductions:			
Benefits paid	1,880,780	1,143,379	728,042
Refunds of contributions	132,638	8,239	1,325
General administration	<u>83,600</u>	<u>52,906</u>	<u>47,948</u>
	<u>2,097,018</u>	<u>1,204,524</u>	<u>777,315</u>
Total deductions			
Changes in net assets	3,831,022	3,365,764	3,394,152
Net assets – beginning of year	<u>33,141,609</u>	<u>24,013,944</u>	<u>18,850,504</u>
Net assets – end of year	\$ <u><u>36,972,631</u></u>	<u><u>27,379,708</u></u>	<u><u>22,244,656</u></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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

financial report and is not included in any other retirement system's or entities' financial report. Membership is voluntary and includes all full time employees who have completed 6 months employment with the City. Persons rendering services on a contractual basis are excluded from participation in this plan, as well as temporary and seasonal employees and persons covered by the International Association of Firefighters (IAFF) or the Fraternal Order of Police (FOP).

The plan, which started on April 1, 1995, has a plan year date of April 1. 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, 2007, there were 173 active Plan members. The City's contribution for the year was \$176,019. Covered payroll for the year ended September 30, 2007, was \$8,818,458. Contributions and earnings are returned to participants upon retirement or termination. Employee contributions were \$264,449 for the year ended September 30, 2007.

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 No. 96-7751. The Plan Resolution authorizes participation in the Plan by exempting managers from participating in the General Pension Retirement Plan. The Plan does not issue a stand-alone financial report and is not included in any other retirement system's or entities' 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

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.

As of September 30, 2007, there were six active Plan members and nine retired and terminated members who have maintained account balances. The City’s contribution for the year was \$48,810. Covered payroll for the year ended September 30, 2007, was \$697,296. Employee contributions were \$20,919 for the year ended September 30, 2007.

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, 2007:

Statements of Fiduciary Net Assets

	Supplemental General Pension	Managers’ 401 Pension
	<u> </u>	<u> </u>
Assets:		
Investments, at fair value:		
Mutual funds	\$ 4,496,253	646,746
Total investments	<u>4,496,253</u>	<u>646,746</u>
Total assets	<u>4,496,253</u>	<u>646,746</u>
Liabilities:		
Accounts payable	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Net assets:		
Held in trust for pension benefits	\$ <u>4,496,253</u>	<u>646,746</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employee contributions	\$ 461,572	20,919
Employer contributions	176,019	48,810
Total contributions	<u>637,591</u>	<u>69,729</u>
Investment earnings:		
Interest and dividend income	536,923	66,570
Net appreciation (depreciation) in fair value of investments	(11,309)	-
Less investment expense	-	(116)
Net investment earnings	<u>525,614</u>	<u>66,454</u>
Total additions	<u>1,163,205</u>	<u>136,183</u>
Deductions:		
Refunds of contributions	256,429	-
Total deductions	<u>256,429</u>	<u>-</u>
Changes in net assets	906,776	136,183
Net assets – beginning of year	3,589,477	510,563
Net assets – end of year	<u>\$ 4,496,253</u>	<u>646,746</u>

(L) Contingencies

i. Litigation

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

ii. Federal and State Assistance Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of 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 a minor increase in premiums.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

The City is responsible for the first \$100,000 – \$150,000 per occurrence 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		1,015,000

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, \$177,721 and \$5,484 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, 2007. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2007, \$2,360,000 was accrued for estimated self-insurance claims. For the past three fiscal years the City of Naples insurance settlements have not exceeded the insurance coverage and there were no significant reductions in insurance coverage from the previous year.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

A reconciliation of estimated claims liabilities is as follows:

	<u>Risk management</u>	<u>Health benefits</u>	<u>Total</u>
Balance September 30, 2005	\$ 1,706,000	785,000	2,491,000
Current year claims incurred and change in estimates	1,928,518	3,898,813	5,827,331
Claim payments	<u>(1,715,516)</u>	<u>(4,136,813)</u>	<u>(5,852,329)</u>
Balance September 30, 2006	1,919,002	547,000	2,466,002
Current year claims incurred and change in estimates	2,372,340	3,911,767	6,284,107
Claim payments	<u>(2,478,342)</u>	<u>(3,911,767)</u>	<u>(6,390,109)</u>
Balance September 30, 2007	<u>\$ 1,813,000</u>	<u>547,000</u>	<u>2,360,000</u>

(M) 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, annexations.

Investments: As discussed in Note IV. (A), at September 30, 2007, the City had \$32,616,962 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard & Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2007

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of December 31, 2007, the City has \$9,478,182.94 and \$1,894,141.87 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Debt: On November 15, 2007, the City defeased the Water and Sewer Revenue Refunding Bonds, Series 2002. The total principal outstanding was \$8,805,000 and a deposit in the amount of \$9,240,758.54 was made to the Escrow Deposit Trust Fund.

On December 11, 2007, the City issued two Public Utilities Revenue Bonds. Series 2007A in the amount of \$10,000,000.00 was issued to finance the cost of certain water and sewer capital projects. The bonds bear interest at a rate 3.84 percent and mature on September 1, 2027.

Series 2007B was issued in the amount of \$5,819,677.00 to currently refund and prepay a portion of the City of Naples, Florida Capital Improvement Revenue Note, Series 2005 which was used to make upgrades to the City's reuse system. The bonds bear interest at a fixed rate of 3.62 percent, and mature on September 1, 2027.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

THE CITY OF NAPLES, FLORIDA

Required Supplemental Information

September 30, 2007

(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>
10/01/07	\$ 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%
10/01/03	33,113	35,356	2,243	94%	11,297	20%
10/01/02	34,466	35,661	1,195	97%	10,426	11%

**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>
9/30/07	\$ 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%
9/30/03	185	371	201%
9/30/02	294	294	100%

See accompanying independent auditors' report.

THE CITY OF NAPLES, FLORIDA

Required Supplemental Information

September 30, 2007

(Unaudited)

**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>
10/01/07	\$ 26,886	38,411	11,525	70%	4,485	257%
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%
10/01/03	18,766	25,203	6,437	74%	3,876	166%
10/01/02	18,414	23,344	4,930	79%	3,178	155%

**Police 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>
9/30/07	\$ 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%
9/30/03	648	147	662 *	125%
9/30/02	611	119	501 *	101%

* Baseline amount per Chapter 185, F.S.

See accompanying independent auditors' report.

THE CITY OF NAPLES, FLORIDA

Required Supplemental Information

September 30, 2007

(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>
10/01/07	\$ 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%
10/01/03	14,328	19,057	4,729	75%	2,618	181%
10/01/02	13,360	16,253	2,893	82%	2,367	122%

**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>
9/30/07	\$ 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%
9/30/03	604	57	709 *	127%
9/30/02	468	57	655	152%

* Baseline amount per Chapter 185, F.S.

See accompanying independent auditors' report.

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.

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, 2007

	Special Revenue			
	Building and Zoning Fund	Community Development Block Grant	Improvement Fund	Public Arts Fund
Assets:				
Cash and investments	\$ 5,797,303	-	140,715	35,746
Accounts receivable	-	-	1,876	-
Accrued interest	21,760	-	-	-
Total assets	\$ 5,819,063	-	142,591	35,746
Liabilities:				
Accounts payable	\$ 480,343	-	557	-
Accrued payroll	76,009	-	-	-
Advances payable to other funds	-	10,771	-	-
Customer deposits	-	-	-	17,749
Deferred revenue	-	-	1,876	-
Total liabilities	556,352	10,771	2,433	17,749
Fund balances:				
Reserved for encumbrances	89,364	-	-	-
Unreserved:				
Designated for other purposes	-	-	140,158	-
Undesignated (deficit)	5,173,347	(10,771)	-	17,997
Total fund balances (deficit)	5,262,711	(10,771)	140,158	17,997
Total liabilities and fund balances	\$ 5,819,063	-	142,591	35,746

See accompanying independent auditors' report.

Special Revenue	Capital Projects			
Confiscated Properties Fund	Land Conservation Trust Fund	East Naples Bay District	Moorings Bay District	Total nonmajor governmental
278,727	553,010	633,413	886,115	8,325,029
-	-	-	-	1,876
-	2,075	2,377	3,326	29,538
<u>278,727</u>	<u>555,085</u>	<u>635,790</u>	<u>889,441</u>	<u>8,356,443</u>
21,411	-	21,510	-	523,821
-	-	-	-	76,009
-	-	-	-	10,771
-	-	-	-	17,749
-	-	-	-	1,876
<u>21,411</u>	<u>-</u>	<u>21,510</u>	<u>-</u>	<u>630,226</u>
-	-	-	-	89,364
-	-	-	-	140,158
<u>257,316</u>	<u>555,085</u>	<u>614,280</u>	<u>889,441</u>	<u>7,496,695</u>
<u>257,316</u>	<u>555,085</u>	<u>614,280</u>	<u>889,441</u>	<u>7,726,217</u>
<u>278,727</u>	<u>555,085</u>	<u>635,790</u>	<u>889,441</u>	<u>8,356,443</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended September 30, 2007

	Special Revenue			
	Building and Zoning Fund	Community Development Block Grant	Improvement Fund	Public Arts Fund
Revenues:				
Taxes – property	\$ -	-	-	-
Licenses and permits	2,936,155	-	-	-
Intergovernmental	-	151,639	-	-
Charges for services	260,699	10,000	-	-
Fines and forfeitures	-	-	-	-
Interest	283,237	-	-	306
Donations	-	-	59,716	-
Miscellaneous	15,742	-	-	17,691
Total revenues	<u>3,495,833</u>	<u>161,639</u>	<u>59,716</u>	<u>17,997</u>
Expenditures:				
Current:				
General government	-	-	19,572	-
Public safety	3,015,738	-	26,474	-
Economic and physical environment	-	-	-	-
Culture and recreation	-	-	43,358	-
Capital outlay:				
Public safety	18,331	-	-	-
Economic and physical development	-	155,340	-	-
Total expenditures	<u>3,034,069</u>	<u>155,340</u>	<u>89,404</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	461,764	6,299	(29,688)	17,997
Other financing sources (uses):				
Transfers in	-	-	-	-
Proceeds from sale of fixed assets	1,475	-	-	-
Total other financing sources (uses)	<u>1,475</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	463,239	6,299	(29,688)	17,997
Fund balances (deficit) – beginning of year	4,799,472	(17,070)	169,846	-
Fund balances (deficit)– end of year	<u>\$ 5,262,711</u>	<u>(10,771)</u>	<u>140,158</u>	<u>17,997</u>

See accompanying independent auditors' report.

Special Revenue	Capital Projects			
Confiscated Properties Fund	Land Conservation Trust	East Naples Bay District	Moorings Bay District	Total Nonmajor Governmental
-	-	255,423	38,349	293,772
-	-	-	-	2,936,155
2,757	-	-	18,930	173,326
-	-	-	-	270,699
47,235	-	-	-	47,235
14,236	22,096	36,721	46,655	403,251
-	-	-	-	59,716
-	-	-	-	33,433
<u>64,228</u>	<u>22,096</u>	<u>292,144</u>	<u>103,934</u>	<u>4,217,587</u>
-	-	-	-	19,572
60,448	-	-	-	3,102,660
-	-	185,484	23,815	209,299
-	-	-	-	43,358
39,545	-	-	-	57,876
-	-	-	-	155,340
<u>99,993</u>	<u>-</u>	<u>185,484</u>	<u>23,815</u>	<u>3,588,105</u>
(35,765)	22,096	106,660	80,119	629,482
-	400,000	-	-	400,000
-	-	-	-	1,475
<u>-</u>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>401,475</u>
(35,765)	422,096	106,660	80,119	1,030,957
293,081	132,989	507,620	809,322	6,695,260
<u>257,316</u>	<u>555,085</u>	<u>614,280</u>	<u>889,441</u>	<u>7,726,217</u>

CITY OF NAPLES, FLORIDA

Nonmajor Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year ended September 30, 2007

	Building and Zoning Fund			
	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Licenses and permits	\$ 2,638,000	2,638,000	2,936,155	298,155
Intergovernmental	-	-	-	-
Charges for services	251,254	251,254	260,699	9,445
Fines and forfeitures	-	-	-	-
Interest	120,000	120,000	283,237	163,237
Miscellaneous	1,000	1,000	15,742	14,742
Total revenues	<u>3,010,254</u>	<u>3,010,254</u>	<u>3,495,833</u>	<u>485,579</u>
Expenditures:				
Current:				
Public safety	3,115,291	3,142,423	3,015,738	126,685
Economic and physical environment	-	-	-	-
Capital outlay				
Public safety	402,820	421,445	18,331	403,114
Economic and physical environment	-	-	-	-
Total expenditures	<u>3,518,111</u>	<u>3,563,868</u>	<u>3,034,069</u>	<u>529,799</u>
Excess (deficiency) of revenues over expenditures	(507,857)	(553,614)	461,764	1,015,378
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	1,475	1,475
Change in fund balances	(507,857)	(553,614)	463,239	1,016,853
Fund balances – beginning of year	<u>4,799,472</u>	<u>4,799,472</u>	<u>4,799,472</u>	<u>-</u>
Fund balances – end of year	<u>\$ 4,291,615</u>	<u>4,245,858</u>	<u>5,262,711</u>	<u>1,016,853</u>

See accompanying independent auditors' report.

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)
-	-	-	-	-	-	-	-
116,079	276,038	151,639	(124,399)	-	-	2,757	2,757
10,000	10,000	10,000	-	-	-	-	-
-	-	-	-	-	-	47,235	47,235
-	-	-	-	-	-	14,236	14,236
-	-	-	-	-	-	-	-
<u>126,079</u>	<u>286,038</u>	<u>161,639</u>	<u>(124,399)</u>	<u>-</u>	<u>-</u>	<u>64,228</u>	<u>64,228</u>
-	-	-	-	-	137,000	60,448	76,552
14,000	14,000	-	14,000	-	-	-	-
-	-	-	-	-	120,000	39,545	80,455
112,079	272,038	155,340	116,698	-	-	-	-
<u>126,079</u>	<u>286,038</u>	<u>155,340</u>	<u>130,698</u>	<u>-</u>	<u>257,000</u>	<u>99,993</u>	<u>157,007</u>
-	-	6,299	6,299	-	(257,000)	(35,765)	221,235
-	-	-	-	-	-	-	-
-	-	6,299	6,299	-	(257,000)	(35,765)	221,235
<u>(17,070)</u>	<u>(17,070)</u>	<u>(17,070)</u>	<u>-</u>	<u>-</u>	<u>293,081</u>	<u>293,081</u>	<u>-</u>
<u>(17,070)</u>	<u>(17,070)</u>	<u>(10,771)</u>	<u>6,299</u>	<u>-</u>	<u>36,081</u>	<u>257,316</u>	<u>221,235</u>

CITY OF NAPLES, FLORIDA

Nonmajor Capital Projects Funds

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year ended September 30, 2007

	East Naples Bay District			
	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Property	\$ 250,500	250,500	255,423	4,923
Intergovernmental	-	-	-	-
Interest	12,000	12,000	36,721	24,721
Total revenues	<u>262,500</u>	<u>262,500</u>	<u>292,144</u>	<u>29,644</u>
Expenditures:				
Current:				
Economic and physical environment	4,200	465,200	185,484	279,716
Capital outlay:				
Economic and physical environment	175,000	-	-	-
Total expenditures	<u>179,200</u>	<u>465,200</u>	<u>185,484</u>	<u>279,716</u>
Excess (deficiency) of revenues over expenditures	<u>83,300</u>	<u>(202,700)</u>	<u>106,660</u>	<u>309,360</u>
Fund balances – beginning of year	<u>507,620</u>	<u>507,620</u>	<u>507,620</u>	<u>-</u>
Fund balances – end of year	<u>\$ 590,920</u>	<u>304,920</u>	<u>614,280</u>	<u>309,360</u>

See accompanying independent auditors' report.

Moorings Bay District

Original budget	Final budget	Actual	Variance with final budget positive (negative)
37,700	37,700	38,349	649
-	-	18,930	18,930
6,000	6,000	46,655	40,655
<u>43,700</u>	<u>43,700</u>	<u>103,934</u>	<u>60,234</u>
305,200	305,200	23,815	281,385
-	-	-	-
<u>305,200</u>	<u>305,200</u>	<u>23,815</u>	<u>281,385</u>
(261,500)	(261,500)	80,119	341,619
<u>809,322</u>	<u>809,322</u>	<u>809,322</u>	<u>-</u>
<u><u>547,822</u></u>	<u><u>547,822</u></u>	<u><u>889,441</u></u>	<u><u>341,619</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, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
Ad valorem	\$ 575,228	575,228	581,901	6,673
Utility	3,224,000	3,224,000	3,406,822	182,822
Interest	26,000	26,000	92,012	66,012
Total revenues	<u>3,825,228</u>	<u>3,825,228</u>	<u>4,080,735</u>	<u>255,507</u>
Expenditures:				
Current:				
General government	67,070	67,070	68,170	(1,100)
Total general government	<u>67,070</u>	<u>67,070</u>	<u>68,170</u>	<u>(1,100)</u>
Debt service:				
Principal	1,070,000	1,070,000	1,070,000	-
Interest and fiscal charges	825,877	825,877	819,106	6,771
Total debt service	<u>1,895,877</u>	<u>1,895,877</u>	<u>1,889,106</u>	<u>6,771</u>
Total expenditures	<u>1,962,947</u>	<u>1,962,947</u>	<u>1,957,276</u>	<u>5,671</u>
Excess of revenues over expenditures	<u>1,862,281</u>	<u>1,862,281</u>	<u>2,123,459</u>	<u>261,178</u>
Other financing sources (uses):				
Transfers in	407,123	407,123	407,123	-
Transfers out	(2,269,404)	(2,269,404)	(2,269,404)	-
Total other financing sources (uses)	<u>(1,862,281)</u>	<u>(1,862,281)</u>	<u>(1,862,281)</u>	<u>-</u>
Change in fund balances	-	-	261,178	261,178
Fund balances – beginning of year	<u>2,202,025</u>	<u>2,202,025</u>	<u>2,202,025</u>	<u>-</u>
Fund balances – end of year	<u>\$ 2,202,025</u>	<u>2,202,025</u>	<u>2,463,203</u>	<u>261,178</u>

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year ended September 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Intergovernmental	\$ 910,000	921,772	357,000	(564,772)
Special assessments	45,000	45,000	45,896	896
Impact fees	56,300	56,300	178,468	122,168
Interest	736,000	736,000	502,387	(233,613)
Miscellaneous	-	-	331	331
Total revenues	<u>1,747,300</u>	<u>1,759,072</u>	<u>1,084,082</u>	<u>(674,990)</u>
Expenditures:				
Current:				
General government	320,600	332,600	336,420	(3,820)
Total general government	<u>320,600</u>	<u>332,600</u>	<u>336,420</u>	<u>(3,820)</u>
Capital projects:				
City Manager	-	3,609	3,610	(1)
City Clerk	6,975	9,484	8,655	829
Finance	845,800	1,041,976	548,218	493,758
Fire	233,224	261,074	124,237	136,837
Police	1,310,530	1,552,825	534,295	1,018,530
Code enforcement	21,485	21,485	15,296	6,189
Natural resources	-	80,000	80,000	-
Transportation	800,000	1,718,847	658,519	1,060,328
Community services	2,777,405	3,315,988	1,638,855	1,677,133
Nondepartmental	2,102,414	2,666,520	489,809	2,176,711
Total capital projects	<u>8,097,833</u>	<u>10,671,808</u>	<u>4,101,494</u>	<u>6,570,314</u>
Total expenditures	<u>8,418,433</u>	<u>11,004,408</u>	<u>4,437,914</u>	<u>6,566,494</u>
Excess of expenditures over revenues	<u>(6,671,133)</u>	<u>(9,245,336)</u>	<u>(3,353,832)</u>	<u>5,891,504</u>
Other financing sources (uses):				
Transfers in	2,416,976	2,416,976	2,269,404	(147,572)
Transfers out	-	(93,069)	(93,069)	-
Proceeds from sale of capital assets	-	-	23,630	23,630
Total other financing sources (uses)	<u>2,416,976</u>	<u>2,323,907</u>	<u>2,199,965</u>	<u>(123,942)</u>
Net changes in fund balances	<u>(4,254,157)</u>	<u>(6,921,429)</u>	<u>(1,153,867)</u>	<u>5,767,562</u>
Fund balances – beginning of year	<u>9,011,058</u>	<u>9,011,058</u>	<u>9,011,058</u>	<u>-</u>
Fund balances – end of year	<u>\$ 4,756,901</u>	<u>2,089,629</u>	<u>7,857,191</u>	<u>5,767,562</u>

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA
Community Redevelopment Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year ended September 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Ad valorem	\$ 836,760	836,760	827,187	(9,573)
Intergovernmental	2,412,830	2,412,830	2,377,912	(34,918)
Licenses and permits	-	-	441,000	441,000
Charges for services	-	-	130,638	130,638
Interest	132,000	132,000	316,029	184,029
Total revenues	<u>3,381,590</u>	<u>3,381,590</u>	<u>4,092,766</u>	<u>711,176</u>
Expenditures:				
Current:				
Economic environment	1,883,108	1,940,052	1,161,827	778,225
Capital Outlay:				
Economic environment	6,747,000	7,109,014	676,813	6,432,201
Debt service:				
Interest	407,123	407,123	88,772	318,351
Total expenditures	<u>9,037,231</u>	<u>9,456,189</u>	<u>1,927,412</u>	<u>7,528,777</u>
Excess of expenditures over revenues	<u>(5,655,641)</u>	<u>(6,074,599)</u>	<u>2,165,354</u>	<u>8,239,953</u>
Other financing sources (uses):				
Transfers in	11,600	11,600	11,600	-
Transfers out	(359,673)	(359,673)	(407,123)	(47,450)
Bond proceeds	5,000,000	5,000,000	-	(5,000,000)
Total other financing sources (uses)	<u>4,651,927</u>	<u>4,651,927</u>	<u>(395,523)</u>	<u>(5,047,450)</u>
Net changes in fund balances	<u>(1,003,714)</u>	<u>(1,422,672)</u>	<u>1,769,831</u>	<u>3,192,503</u>
Fund balances – beginning of year	2,683,675	2,683,675	2,683,675	-
Fund balances – end of year	<u>\$ 1,679,961</u>	<u>1,261,003</u>	<u>4,453,506</u>	<u>3,192,503</u>

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA

Streets and Traffic Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year ended September 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Motor fuel taxes	\$ 1,633,000	1,633,000	1,532,580	(100,420)
Intergovernmental	619,000	1,942,070	1,288,656	(653,414)
Impact fees	200,000	200,000	200,000	-
Interest	60,000	60,000	220,441	160,441
Miscellaneous	-	-	23,823	23,823
Total revenues	<u>2,512,000</u>	<u>3,835,070</u>	<u>3,265,500</u>	<u>(569,570)</u>
Expenditures:				
Current:				
Transportation:	2,796,781	3,236,742	2,820,205	416,537
Capital outlay:				
Transportation:	1,765,500	3,838,988	1,764,001	2,074,987
Total expenditures	<u>4,562,281</u>	<u>7,075,730</u>	<u>4,584,206</u>	<u>2,491,524</u>
Excess of expenditures over revenues	<u>(2,050,281)</u>	<u>(3,240,660)</u>	<u>(1,318,706)</u>	<u>1,921,954</u>
Other financing sources:				
Transfers in	1,073,335	1,073,335	1,000,000	73,335
Proceeds from sale of capital assets	-	-	2,343	2,343
Total other financing sources	<u>1,073,335</u>	<u>1,073,335</u>	<u>1,002,343</u>	<u>70,992</u>
Net changes in fund balances	<u>(976,946)</u>	<u>(2,167,325)</u>	<u>(316,363)</u>	<u>1,850,962</u>
Fund balances – beginning of year	<u>4,034,715</u>	<u>4,034,715</u>	<u>4,034,715</u>	<u>-</u>
Fund balances – end of year	<u>\$ 3,057,769</u>	<u>1,867,390</u>	<u>3,718,352</u>	<u>1,850,962</u>

See accompanying independent auditors' report.

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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, 2007

Assets	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>	<u>Tennis Fund</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 386,450	502,408	194,125	1,082,983
Restricted cash and investments	-	-	16,139	16,139
Receivables (net, where applicable, of allowance for uncollectible):				
Accounts	36,008	8,666	-	44,674
Miscellaneous	-	400	-	400
Accrued interest	1,467	1,887	753	4,107
Due from other governments	-	5,682	-	5,682
Inventories	-	25,819	7,132	32,951
Total current assets	<u>423,925</u>	<u>544,862</u>	<u>218,149</u>	<u>1,186,936</u>
Capital assets:				
Buildings and utility plants	1,121,615	89,487	703,269	1,914,371
Improvements other than buildings	4,340,556	2,260,506	9,365	6,610,427
Equipment	665,820	285,614	16,591	968,025
Accumulated depreciation	<u>(3,880,107)</u>	<u>(2,234,256)</u>	<u>(288,384)</u>	<u>(6,402,747)</u>
Net capital assets	<u>2,247,884</u>	<u>401,351</u>	<u>440,841</u>	<u>3,090,076</u>
Unamortized issuance cost	-	-	2,152	2,152
Total assets	<u>\$ 2,671,809</u>	<u>946,213</u>	<u>661,142</u>	<u>4,279,164</u>

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA

Combining Statement of Net Assets

Nonmajor Enterprise Funds

September 30, 2007

Liabilities	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current liabilities:				
Accounts payable	\$ 29,884	85,319	18,417	133,620
Accrued payroll and personnel leave	27,711	10,725	6,569	45,005
Deferred revenue	27,220	30,340	13,605	71,165
Customer deposits	1,692	26,547	-	28,239
Current portion of compensated absences	2,000	3,680	2,748	8,428
Current maturities of long-term debt	-	-	33,750	33,750
Total current liabilities	<u>88,507</u>	<u>156,611</u>	<u>75,089</u>	<u>320,207</u>
Current liabilities (payable from restricted assets):				
Current maturities of long-term debt	-	-	11,250	11,250
Accrued interest payable	-	-	4,889	4,889
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>-</u>	<u>16,139</u>	<u>16,139</u>
Noncurrent liabilities:				
Revenue bonds payable, less current maturities net of unamortized discounts and premiums	-	-	400,000	400,000
Compensated absences	41,724	10,000	11,000	62,724
Total noncurrent liabilities	<u>41,724</u>	<u>10,000</u>	<u>411,000</u>	<u>462,724</u>
Total liabilities	<u>130,231</u>	<u>166,611</u>	<u>502,228</u>	<u>799,070</u>
Net Assets				
Invested in capital assets, net of related debt	2,247,884	401,351	(4,159)	2,645,076
Unrestricted	293,694	378,251	163,073	835,018
Total net assets	<u>\$ 2,541,578</u>	<u>779,602</u>	<u>158,914</u>	<u>3,480,094</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, 2007

	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>	<u>Tennis Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 916,767	2,003,808	559,561	3,480,136
Total operating revenues	<u>916,767</u>	<u>2,003,808</u>	<u>559,561</u>	<u>3,480,136</u>
Operating expenses:				
Personal services	720,123	305,363	186,649	1,212,135
Supplies and services	178,491	1,506,353	181,742	1,866,586
Utilities	131,750	65,611	4,896	202,257
Depreciation and amortization	515,998	123,746	36,929	676,673
General administration	197,000	137,550	30,000	364,550
Other	65,026	24,200	27,434	116,660
Total operating expenses	<u>1,808,388</u>	<u>2,162,823</u>	<u>467,650</u>	<u>4,438,861</u>
Operating income (loss)	<u>(891,621)</u>	<u>(159,015)</u>	<u>91,911</u>	<u>(958,725)</u>
Nonoperating revenues (expenses):				
Operating grants and contributions	465,865	-	-	465,865
Interest income	9,891	30,044	14,352	54,287
Interest expense	-	-	(21,129)	(21,129)
Gain (loss) on sale of capital assets	2,572	(4,888)	2,021	(295)
Total nonoperating revenues (expenses)	<u>478,328</u>	<u>25,156</u>	<u>(4,756)</u>	<u>498,728</u>
Income (loss) before contributions and transfers	<u>(413,293)</u>	<u>(133,859)</u>	<u>87,155</u>	<u>(459,997)</u>
Capital contributions	52,872	-	-	52,872
Transfers out (payment in lieu of taxes)	-	(100,000)	-	(100,000)
Change in net assets	<u>(360,421)</u>	<u>(233,859)</u>	<u>87,155</u>	<u>(507,125)</u>
Net assets – beginning of year	<u>2,901,999</u>	<u>1,013,461</u>	<u>71,759</u>	<u>3,987,219</u>
Net assets – end of year	\$ <u><u>2,541,578</u></u>	<u><u>779,602</u></u>	<u><u>158,914</u></u>	<u><u>3,480,094</u></u>

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year ended September 30, 2007

	Naples Beach Fund	City Dock Fund
Cash flows from operating activities:		
Cash received from customers	\$ 924,231	2,013,702
Cash payments to suppliers	(355,401)	(1,628,789)
Cash payments to employees	(703,856)	(294,011)
Cash payments for interfund services	(197,000)	(137,550)
Net cash provided by (used in) operating activities	(332,026)	(46,648)
Cash flows from noncapital financing activities:		
Transfers	-	(100,000)
Loans/advances and repayments from (to) other funds	(243,059)	-
Operating grants	1,061,525	-
Net cash provided by (used in) noncapital financing activities	818,466	(100,000)
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	-	-
Interest paid on long-term debt	-	-
Capital contributions	52,872	-
Proceeds from sale of capital assets	2,572	2,982
Acquisition and construction of capital assets	(163,858)	(42,837)
Net cash used in capital and related financing activities	(108,414)	(39,855)
Cash flows from investing activities:		
Interest and investment earnings	8,424	28,157
Net cash provided by investing activities	8,424	28,157
Net increase (decrease) in cash and cash equivalents	386,450	(158,346)
Cash and cash equivalents – beginning of year	-	660,754
Cash and cash equivalents – end of year	\$ 386,450	502,408

Tennis Fund	Total
556,683	3,494,616
(214,346)	(2,198,536)
(182,305)	(1,180,172)
(30,000)	(364,550)
<u>130,032</u>	<u>(248,642)</u>
-	(100,000)
-	(243,059)
-	1,061,525
<u>-</u>	<u>718,466</u>
(45,000)	(45,000)
(21,590)	(21,590)
-	52,872
2,021	7,575
(20,485)	(227,180)
<u>(85,054)</u>	<u>(233,323)</u>
<u>13,599</u>	<u>50,180</u>
<u>13,599</u>	<u>50,180</u>
58,577	286,681
<u>151,687</u>	<u>812,441</u>
<u>210,264</u>	<u>1,099,122</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year ended September 30, 2007

	Naples Beach Fund	City Dock Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (891,621)	(159,015)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	515,998	123,746
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	7,962	165
(Increase) decrease in due from other governments	-	12,452
(Increase) decrease in inventories	-	(9,472)
(Increase) decrease in prepaid items	260	-
Increase (decrease) in accounts payable	19,606	(23,153)
Increase (decrease) in accrued payroll / personal leave	5,341	2,403
Increase (decrease) in deferred revenue	(898)	(4,309)
Increase (decrease) in customer deposits	400	1,586
Increase (decrease) in compensated absences	10,926	8,949
Net cash provided by (used in) operating activities	\$ (332,026)	(46,648)

See accompanying independent auditors' report.

<u>Tennis Fund</u>	<u>Total</u>
91,911	(958,725)
36,929	676,673
-	8,127
-	12,452
3,763	(5,709)
409	669
(4,446)	(7,993)
293	8,037
(2,878)	(8,085)
-	1,986
4,051	23,926
<u>130,032</u>	<u>(248,642)</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. The City has elected to self-insure up to the following amounts:

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		1,015,000

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
Internal Service Funds
Combining Statement of Net Assets
September 30, 2007

Assets	Equipment services	Risk management
Current assets:		
Cash and investments	\$ 448,279	3,021,765
Receivables – miscellaneous	231	136,212
Accrued interest	1,681	11,312
Due from other governments	2,192	-
Inventories	146,781	-
Total current assets	599,164	3,169,289
Capital assets:		
Buildings	374,964	-
Equipment	210,465	36,795
Accumulated depreciation	(241,711)	(33,848)
Net capital assets	343,718	2,947
Total assets	942,882	3,172,236
Liabilities		
Current liabilities:		
Accounts payable	76,373	190,912
Accrued payroll and personal leave	26,715	7,221
Deferred revenue	-	-
Total current liabilities	103,088	198,133
Noncurrent liabilities:		
Due within one year:		
Compensated absences	7,386	2,227
Insurance claims payable	-	662,855
Due in more than one year:		
Compensated absences	50,000	5,000
Insurance claims payable	-	1,150,145
Total noncurrent liabilities	57,386	1,820,227
Total liabilities	160,474	2,018,360
Net Assets		
Invested in capital assets, net of related debt	343,718	2,947
Unrestricted (deficit)	438,690	1,150,929
Total net assets (deficit)	\$ 782,408	1,153,876

See accompanying independent auditors' report.

Health benefits	Construction management	Technology services	Total
1,415,606	18,650	919,035	5,823,335
4,993	-	-	141,436
5,622	-	3,448	22,063
-	-	-	2,192
-	-	-	146,781
1,426,221	18,650	922,483	6,135,807
-	-	51,957	426,921
-	-	1,787,250	2,034,510
-	-	(1,332,899)	(1,608,458)
-	-	506,308	852,973
1,426,221	18,650	1,428,791	6,988,780
23,701	208	12,993	304,187
-	28,211	36,130	98,277
6,712	-	-	6,712
30,413	28,419	49,123	409,176
-	16,627	8,870	35,110
547,000	-	-	1,209,855
-	110,000	100,000	265,000
-	-	-	1,150,145
547,000	126,627	108,870	2,660,110
577,413	155,046	157,993	3,069,286
-	-	506,308	852,973
848,808	(136,396)	764,490	3,066,521
848,808	(136,396)	1,270,798	3,919,494

CITY OF NAPLES, FLORIDA

Internal Service Funds

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

Year ended September 30, 2007

	<u>Equipment services</u>	<u>Risk management</u>	<u>Health benefits</u>
Operating revenues:			
Charges for services	\$ 2,179,377	3,176,028	5,277,024
Operating expenses:			
Personal services	710,006	191,634	-
Supplies, services, and claims	540,845	2,645,080	5,184,244
Materials	918,166	-	-
Utilities	30,488	-	-
Depreciation and amortization	45,959	1,431	-
General administration	132,500	65,500	35,550
Other	3,340	15,156	-
Total operating expenses	<u>2,381,304</u>	<u>2,918,801</u>	<u>5,219,794</u>
Operating income (loss)	(201,927)	257,227	57,230
Nonoperating revenues:			
Interest income	27,192	125,170	57,722
Loss on sale of capital assets	976	-	-
Change in net assets	<u>(173,759)</u>	<u>382,397</u>	<u>114,952</u>
Net assets (deficit) – beginning of year	<u>956,167</u>	<u>771,479</u>	<u>733,856</u>
Net assets (deficit) – end of year	\$ <u><u>782,408</u></u>	<u><u>1,153,876</u></u>	<u><u>848,808</u></u>

See accompanying independent auditors' report.

Construction management	Technology services	Total
954,700	1,975,770	13,562,899
747,255	943,500	2,592,395
106,490	625,039	9,101,698
590	-	918,756
-	-	30,488
-	215,866	263,256
71,500	89,750	394,800
1,388	-	19,884
927,223	1,874,155	13,321,277
27,477	101,615	241,622
307	45,286	255,677
-	-	976
27,784	146,901	498,275
(164,180)	1,123,897	3,421,219
<u>(136,396)</u>	<u>1,270,798</u>	<u>3,919,494</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year ended September 30, 2007

	Equipment services	Risk management
Cash flows from operating activities:		
Cash received from customers	\$ 2,192,524	3,044,230
Cash payments to suppliers	(1,503,537)	(2,607,745)
Cash payments to employees	(704,577)	(189,391)
Cash payments for interfund services	(132,500)	(65,500)
Net cash provided by (used in) operating activities	(148,090)	181,594
Cash flows from noncapital and related financing activities:		
Loan repayments to other funds	-	-
Net cash used in capital and related financing activities	-	-
Cash flows from capital and related financing activities:		
Proceeds from transfers/disposal of fixed assets	976	-
Acquisition and construction of capital assets	(116,510)	-
Net cash used in capital and related financing activities	(115,534)	-
Cash flows from investing activities:		
Interest and investment earnings	25,511	113,858
Net cash provided by investing activities	25,511	113,858
Net increase (decrease) in cash and cash equivalents	(238,113)	295,452
Cash and cash equivalents – beginning of year	686,392	2,726,313
Cash and cash equivalents – end of year	\$ 448,279	3,021,765
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (201,927)	257,227
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	45,959	1,431
Changes in assets and liabilities:		
(Increase) decrease in miscellaneous receivables	(231)	(131,798)
(Increase) decrease in due from other governments	13,378	-
(Increase) decrease in inventories	(22,420)	-
(Increase) decrease in prepaids	2,170	-
Increase (decrease) in accounts payable	9,552	158,493
Increase (decrease) in accrued payroll and personal leave	1,794	583
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in insurance claims payable	-	(106,002)
Increase (decrease) in compensated absences	3,635	1,660
Net cash provided by (used in) operating activities	\$ (148,090)	181,594

See accompanying independent auditors' report.

Health benefits	Construction management	Technology services	Total
5,274,640	954,700	1,975,770	13,441,864
(5,188,585)	(109,426)	(664,243)	(10,073,536)
(35,550)	(726,219)	(927,573)	(2,547,760)
	(71,500)	(89,750)	(394,800)
<u>50,505</u>	<u>47,555</u>	<u>294,204</u>	<u>425,768</u>
-	(29,212)	-	(29,212)
-	(29,212)	-	(29,212)
-	-	-	976
-	-	(259,548)	(376,058)
-	-	(259,548)	(375,082)
<u>52,100</u>	<u>307</u>	<u>41,838</u>	<u>233,614</u>
<u>52,100</u>	<u>307</u>	<u>41,838</u>	<u>233,614</u>
102,605	18,650	76,494	255,088
1,313,001	-	842,541	5,568,247
<u>1,415,606</u>	<u>18,650</u>	<u>919,035</u>	<u>5,823,335</u>
57,230	27,477	101,615	241,622
-	-	215,866	263,256
(979)	-	-	(133,008)
-	-	-	13,378
-	-	-	(22,420)
-	-	-	2,170
(4,341)	(958)	(39,204)	123,542
-	4,108	4,053	10,538
(1,405)	-	-	(1,405)
-	-	-	(106,002)
-	16,928	11,874	34,097
<u>50,505</u>	<u>47,555</u>	<u>294,204</u>	<u>425,768</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 nonbargaining 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, 2007

	<u>Pension Trust</u>		
	<u>General Pension Fund</u>	<u>Supplemental General Pension</u>	<u>Managers' 401 Pension</u>
Assets:			
Cash and investments	\$ 814,942	-	-
Receivables:			
Accounts	44	-	-
Accrued interest	148,230	-	-
Investments, at fair value:			
Corporate bonds	4,593,068	-	-
U.S. Government securities	2,302,961	-	-
Common stock	25,246,098	-	-
Mortgage – backed securities	3,867,288	-	-
Mutual funds	-	4,496,253	646,746
Total investments	<u>36,009,415</u>	<u>4,496,253</u>	<u>646,746</u>
Total assets	<u>36,972,631</u>	<u>4,496,253</u>	<u>646,746</u>
Liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net assets:			
Held in trust for pension benefits	<u>\$ 36,972,631</u>	<u>4,496,253</u>	<u>646,746</u>

See accompanying independent auditors' report.

Police Officers' Pension Fund	Firefighters' Pension Fund	Total
1,212,462	1,119,707	3,147,111
-	-	44
122,895	100,859	371,984
3,645,823	2,934,014	11,172,905
2,041,267	1,680,716	6,024,944
17,220,296	13,798,568	56,264,962
3,136,965	2,610,836	9,615,089
-	-	5,142,999
<u>26,044,351</u>	<u>21,024,134</u>	<u>88,220,899</u>
<u>27,379,708</u>	<u>22,244,700</u>	<u>91,740,038</u>
-	44	44
-	44	44
<u><u>27,379,708</u></u>	<u><u>22,244,656</u></u>	<u><u>91,739,994</u></u>

CITY OF NAPLES, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended September 30, 2007

	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employee contributions	\$ 637,592	461,572	20,919
Employer contributions	1,160,170	176,019	48,810
Direct state contributions	-	-	-
Total contributions	<u>1,797,762</u>	<u>637,591</u>	<u>69,729</u>
Investment earnings:			
Interest and dividend income	1,052,477	536,923	66,570
Net appreciation (depreciation) in fair value of investments	3,284,638	(11,309)	-
Less investment expense	<u>(206,837)</u>	<u>-</u>	<u>(116)</u>
Net investment earnings	<u>4,130,278</u>	<u>525,614</u>	<u>66,454</u>
Total additions	<u>5,928,040</u>	<u>1,163,205</u>	<u>136,183</u>
Deductions:			
Benefits paid	1,880,780	-	-
Refunds of contributions	132,638	256,429	-
General administration	<u>83,600</u>	<u>-</u>	<u>-</u>
Total deductions	<u>2,097,018</u>	<u>256,429</u>	<u>-</u>
Changes in net assets	3,831,022	906,776	136,183
Net assets – beginning of year	<u>33,141,609</u>	<u>3,589,477</u>	<u>510,563</u>
Net assets – end of year	<u>\$ 36,972,631</u>	<u>4,496,253</u>	<u>646,746</u>

See accompanying independent auditors' report.

Police Officers' Pension Fund	Firefighters' Pension Fund	Total
237,303	260,285	1,617,671
706,787	572,674	2,664,460
740,323	1,028,722	1,769,045
<u>1,684,413</u>	<u>1,861,681</u>	<u>6,051,176</u>
773,900	627,885	3,057,755
2,238,448	1,795,819	7,307,596
(126,473)	(113,918)	(447,344)
<u>2,885,875</u>	<u>2,309,786</u>	<u>9,918,007</u>
<u>4,570,288</u>	<u>4,171,467</u>	<u>15,969,183</u>
1,143,379	728,042	3,752,201
8,239	1,325	398,631
52,906	47,948	184,454
<u>1,204,524</u>	<u>777,315</u>	<u>4,335,286</u>
3,365,764	3,394,152	11,633,897
24,013,944	18,850,504	80,106,097
<u>27,379,708</u>	<u>22,244,656</u>	<u>91,739,994</u>

CITY OF NAPLES, FLORIDA

Statement of Changes in Assets and Liabilities – Agency Funds

Year ended September 30, 2007

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
Assets				
Cash and investments	\$ 116,439	17,110,412	17,219,285	7,566
Total assets	<u>\$ 116,439</u>	<u>17,110,412</u>	<u>17,219,285</u>	<u>7,566</u>
Liabilities				
Accounts payable	\$ 116,439	17,110,412	17,219,285	7,566
Total liabilities	<u>\$ 116,439</u>	<u>17,110,412</u>	<u>17,219,285</u>	<u>7,566</u>

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

CITY OF NAPLES, FLORIDA

Schedule of Actual Revenue, Expenses and Debt Service
Requirements as Required and Defined by the Water and Sewer Revenue
Refunding Bonds, Series 2002

Water and Sewer – Enterprise Fund

Year ended September 30, 2007

Operating revenue:	
Water	\$ 13,262,880
Sewer	9,670,940
	<u>22,933,820</u>
Operating expenses:	
Personal services	5,426,059
Supplies and services	4,376,124
Materials	2,108,031
Heat, light, and power	2,626,779
General administration	1,799,000
Other	96,555
	<u>16,432,548</u>
Total operating expenses	16,432,548
Operating income	6,501,272
Other income:	
Interest	987,322
	<u>987,322</u>
Net revenue available for debt service, renewal and replacement, transfers and capital improvements	\$ <u>7,488,594</u>
Debt service requirements	\$ <u>1,355,985</u>
Debt service coverage	<u>5.52</u>
Debt service coverage requirement	<u>1.35</u>
Renewal and replacement requirements	\$ <u>1,136,822</u>

See accompanying independent auditors' report.

STATISTICAL SECTION **(unaudited)**

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

Contents

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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 139

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax. 146

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. The City has no legal debt margin and therefore it is not reported in these schedules. 156

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. 164

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. 166

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.*

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

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

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

Schedule 2
City of Naples
Changes in Net Assets
Last Five 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	\$ 875,654	1,118,894	1,441,587	1,477,212	1,459,677
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>8,163,780</u>	<u>8,451,020</u>	<u>11,855,081</u>	<u>21,161,672</u>	<u>12,436,099</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>\$ 38,339,149</u>	<u>40,629,134</u>	<u>44,585,209</u>	<u>57,748,177</u>	<u>49,852,668</u>
Net Expense/Revenue					
Governmental activities	\$ (20,394,151)	(22,070,087)	(22,373,361)	(24,179,630)	(32,154,580)
Business-type activities	52,018	3,071,091	2,666,292	5,716,996	3,512,804
Total primary government net expense	<u>\$ (20,342,133)</u>	<u>(18,998,996)</u>	<u>(19,707,069)</u>	<u>(18,462,634)</u>	<u>(28,641,776)</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				
	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
Franchise and utility taxes	8,592,174	6,881,521	7,315,044	8,095,021	8,095,764
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
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	-	1,917,577	1,676,358	1,708,000	1,763,380
Total governmental activities	<u>26,478,664</u>	<u>29,710,499</u>	<u>29,802,847</u>	<u>34,843,042</u>	<u>40,378,502</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
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>27,007,171</u>	<u>28,189,519</u>	<u>28,638,073</u>	<u>34,281,631</u>	<u>39,978,115</u>
Change in Net Assets					
Governmental activities	6,084,513	7,640,421	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>9,190,532</u>	<u>8,931,004</u>	<u>15,455,222</u>	<u>11,336,339</u>

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

	Fiscal Year				
	1998	1999	2000	2001	2002
General Fund					
Reserved	\$ 3,404,908	3,482,692	3,490,447	3,596,323	3,672,155
Unreserved	709,217	880,988	1,134,219	1,380,837	1,154,208
Total general fund	\$ 4,114,125	4,363,680	4,624,666	4,977,160	4,826,363
All Other Governmental Funds					
Reserved					
Special revenue funds	\$ -	-	1,198,947	-	-
Capital projects funds	8,686,777	3,636,532	5,876,702	14,682,899	13,701,547
Debt service funds	747,879	545,801	444,735	817,618	1,320,027
Unreserved					
Special revenue funds	1,676,978	2,529,890	9,465	225,907	997,805
Capital projects funds	1,990,216	3,180,971	2,184,172	573,548	3,412,003
Debt service funds	-	-	-	-	-
Total other governmental funds	\$ 13,101,850	9,893,194	9,714,021	16,299,972	19,431,382

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

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

	Fiscal Year				
	1998	1999	2000	2001	2002
Revenues					
Taxes	\$ 12,685,210	13,087,667	13,846,688	16,204,981	19,020,097
Licenses and permits	1,849,787	2,029,474	2,243,164	2,127,794	2,881,466
Intergovernmental	3,187,480	3,522,422	4,157,645	4,688,744	8,067,873
Charges for services	735,269	725,934	784,988	1,031,482	1,337,358
Charges to other funds	3,458,196	3,650,980	3,787,636	4,001,900	4,125,700
Fines and forfeitures	683,101	487,814	475,883	426,039	260,495
Impact fees/special assessments	402,328	757,772	552,556	453,224	509,215
Interest	1,233,163	756,592	1,062,686	1,568,401	833,326
Contributions	-	-	-	-	-
Miscellaneous	1,161,625	905,684	743,232	120,939	574,301
Total Revenues	25,396,159	25,924,339	27,654,478	30,623,504	37,609,831
Expenditures					
General government	5,311,744	5,324,603	5,921,852	6,709,873	7,916,054
Public safety	9,080,982	9,839,095	13,065,125	13,161,699	12,708,737
Physical and economic environment	705,971	784,585	1,032,437	980,472	1,688,135
Transportation	-	-	-	-	-
Culture and recreation	3,314,207	3,751,828	3,929,822	4,199,158	4,676,969
Capital projects	8,321,262	9,919,607	12,036,421	5,445,100	6,297,839
Debt service					
Principal	585,063	739,689	994,016	612,058	1,268,084
Interest and fiscal charges	287,066	625,125	637,160	1,477,080	1,299,815
Total Expenditures	27,606,295	30,984,532	37,616,833	32,585,440	35,855,633
Excess of revenues over/under expenditures	(2,210,136)	(5,060,193)	(9,962,355)	(1,961,936)	1,754,198
Other Financing Sources (uses):					
Bonds issued	5,349,059	-	8,460,000	9,845,000	-
Payments to escrow agents	-	-	-	(2,370,000)	-
Transfers in	10,931,038	4,699,215	13,159,822	11,126,414	3,861,437
Transfers out	(9,546,110)	(3,621,242)	(11,561,622)	(9,670,521)	(2,701,577)
Sale of capital assets	27,436	29,548	20,129	-	-
Total other financing sources (uses)	6,761,423	1,107,521	10,078,329	8,930,893	1,159,860
Net change in fund balance	\$ 4,551,287	(3,952,672)	115,974	6,968,957	2,914,058
Debt Service as a percentage of noncapital expenditures	4.5%	6.5%	6.4%	7.7%	8.7%

Fiscal Year				
2003	2004	2005	2006	2007
20,653,811	21,642,718	23,305,625	25,601,739	32,177,018
2,687,224	3,092,953	2,931,552	3,787,831	3,717,384
5,254,668	5,558,406	8,015,980	16,974,405	7,883,654
1,506,150	1,692,378	2,009,871	1,824,433	2,373,059
4,459,952	3,713,502	3,748,880	3,806,515	3,966,100
410,760	348,265	553,888	578,562	374,950
379,159	272,764	368,576	710,951	424,364
678,041	626,030	971,187	1,833,114	2,603,304
141,580	111,169	263,988	70,505	59,716
561,071	1,065,765	432,022	1,159,105	153,338
<u>36,732,416</u>	<u>38,123,950</u>	<u>42,601,569</u>	<u>56,347,160</u>	<u>53,732,887</u>
6,568,239	7,555,904	7,516,247	15,131,257	9,591,067
13,944,299	14,990,292	17,606,607	18,988,238	21,481,323
1,005,981	948,272	1,333,438	1,734,495	1,579,013
2,729,772	1,911,489	1,351,547	1,421,391	2,820,205
4,715,056	4,959,763	5,289,131	5,352,049	6,313,097
6,838,305	3,224,855	6,621,225	11,043,085	6,768,798
3,071,257	1,083,379	978,603	994,107	1,070,000
1,215,697	1,118,359	995,570	933,536	907,878
<u>40,088,606</u>	<u>35,792,313</u>	<u>41,692,368</u>	<u>55,598,158</u>	<u>50,531,381</u>
<u>(3,356,190)</u>	<u>2,331,637</u>	<u>909,201</u>	<u>749,002</u>	<u>3,201,506</u>
5,925,000	3,170,000	-	-	-
(2,965,529)	(5,021,684)	-	-	-
6,931,440	7,961,219	4,906,256	4,797,603	5,944,576
(5,273,414)	(6,269,219)	(3,229,898)	(3,068,828)	(4,181,196)
<u>72,636</u>	<u>4,007,373</u>	<u>25</u>	<u>39,102</u>	<u>27,448</u>
<u>4,690,133</u>	<u>3,847,689</u>	<u>1,676,383</u>	<u>1,767,877</u>	<u>1,790,828</u>
<u>1,333,943</u>	<u>6,179,326</u>	<u>2,585,584</u>	<u>2,516,879</u>	<u>4,992,334</u>
12.9%	6.8%	5.6%	4.3%	4.5%

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 taxes</u>	<u>Fuel taxes</u>
1998	\$ 5,625,198	1,379,400	2,701,796	2,283,173	2,040,787
1999	5,987,629	1,458,924	2,698,762	2,366,946	2,010,232
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 (c)
2005	14,404,764	1,676,358 (b)	4,149,829	3,141,721	1,585,816
2006	15,926,721	1,708,000 (b)	4,269,042	3,792,489	1,579,996
2007	20,779,629	1,763,380 (b)	4,218,209	3,877,556	1,532,580
Change 1998 - 2007	269.4%	27.8%	56.1%	69.8%	-24.9%

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).
in property tax values. (See Schedule 6).

(b) Reclassified in FY 2004 to Transfers to Other Funds

(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 has recorded 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>
2,199,376	798,967	17,028,697
2,333,815	757,124	17,613,432
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
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
11.6%	245.9%	119.6%

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)
1998	\$	4,628,833,914	201,080,369	166,060,396	4,663,853,887
1999		4,942,516,914	207,925,760	63,830,638	5,086,612,036
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

Source: Collier County Tax Appraiser

Notes: A constitutional revision that 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	Market/Just value as a percentage of actual taxable value
4,826,553,552	1.1800	5,527,505,886	84.375%
5,140,991,963	1.1800	5,945,296,662	85.557%
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%
16,534,048,798	1.1347	21,802,038,544	75.062%

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
1998	\$ 1.1800	-	1.1800	0.1821	3.6813	-
1999	1.1800	-	1.1800	0.1953	3.5510	-
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	1.0997	0.0350	1.1347	0.0635	3.1469	0.2242

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
-	8.4240	0.2840	0.0452	0.2780	14.0746
-	8.5100	0.2840	0.0413	0.2780	14.0396
-	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	5.3510	0.2549	0.0280	0.2265	10.5797

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

Taxpayer	2007			1998		
	Taxable assessed value	Rank	Percentage of total assessed value	Taxable assessed value	Rank	Percentage of total assessed value
Florida Power & Light Company	\$ 96,850,873	1	0.59%	\$ 15,489,822	3	0.32%
Coastland Center LP	82,253,300	2	0.50%	36,111,351	1	0.76%
Sandra Gerry	42,560,625	3	0.26%			
Westbury Properties Inc.	33,004,842	4	0.20%	9,570,811	7	0.20%
Panthers RPN Limited	32,796,761	5	0.20%			
Embarq Corporation	28,152,610	6	0.17%	24,066,500	2	0.50%
Naples Hospitality Ltd Partnership	28,054,850	7	0.17%			
Centro Heritage Park Shore	24,473,982	8	0.15%			
Judith Herb Trust	23,568,915	9	0.14%			
Buonanno TR, Linda	23,072,419	10	0.14%			
Net Realty Holding Trust				10,654,930	4	0.26%
Scottsdale Company				10,370,350	5	0.25%
Dillards Department Stores				10,222,612	6	0.22%
Poinciana Professional Park				9,259,011	8	0.22%
Net Realty Holding Trust				9,058,837	9	0.21%
Perry E. Esping				8,717,756	10	0.15%
	<u>\$ 414,789,177</u>		<u>2.51%</u>	<u>\$ 143,521,980</u>		<u>3.09%</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	
1998	5,816,252	5,625,197	96.7%	—
1999	6,194,416	5,987,629	96.7%	—
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

Sources: Collier County Tax Appraiser
Collier County Tax Collector

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

**Total collections
to date**

<u>Amount</u>	<u>% of Levy</u>
5,625,197	96.7%
5,987,629	96.7%
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%

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
1998	\$ -	9,056,192	3,000,000	47,829,337	-	952,325
1999	-	8,316,503	3,000,000	47,981,631	351,389	857,428
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

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)
60,837,854	7.75%	36,948
60,506,951	7.53%	38,104
67,238,501	8.14%	39,403
71,605,993	8.29%	41,843
71,016,183	8.36%	42,102
68,041,813	7.75%	41,926
62,439,866	6.84%	42,846
57,575,709	6.10%	42,846
53,780,590	5.44%	42,846
54,676,347	5.46%	42,846

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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		
1998	\$ -	3,000,000	3,000,000	0.06%	141.29
1999	-	3,000,000	3,000,000	0.06%	142.27
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%	420.75
2007	4,040,000	5,045,000	9,085,000	0.06%	388.40

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.

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Schedule 12
City of Naples
Direct and Overlapping Governmental Activities Debt
As of September 30, 2007

	<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	\$ 4,440,000	100.00%	4,440,000
Public Service Tax Bonds	9,710,015	100.00%	9,710,015
Redevelopment and Refunding Bonds	5,265,000	100.00%	<u>5,265,000</u>
Total direct debt			<u>19,415,015</u>
Overlapping debt (a):			
Collier County (b):			
Conservation Collier	25,815,000	21.15%	5,459,873
Caribbean Gardens	23,335,000	21.15%	<u>4,935,353</u>
Total overlapping debt			<u>10,395,225</u>
Total direct and overlapping debt			<u>\$ 29,810,240</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.

- (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.

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		
1998	\$ 18,932,603	7,437,659	11,494,944	3,529,221		3.26
1999	17,946,524	7,868,245	10,078,279	3,265,901		3.09
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	22,855,847	14,644,381	8,211,466	1,355,985		6.06

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 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		
2,701,796	675,000	377,258	2.57 (b)	1,273,669 (a)	-	-	-	
2,698,762	715,000	365,381	2.50 (b)	931,380 (a)	-	132,600	7.02	
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	

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	Education level in years of schooling	County school enrollment	Unemployment rate
1998	21,233	\$ 784,517	\$ 36,948	-	-	29,513	4.3%
1999	21,087	803,499	38,104	42.5	-	31,011	3.9%
2000	20,976	826,517	39,403	-	-	31,942	3.7%
2001	21,687	864,053	39,842	44.1	13.0	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	14.0	37,718	4.7%
2004	21,709	912,863	42,050	45.2	-	39,821	3.9%
2005	22,750	944,421	41,513	45.6	-	41,588	3.6%
2006	23,068	988,372	42,846	44.7	13	42,775	2.7%
2007	23,391	1,002,211	42,846	45.5	13.4	42,062	5.1%

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, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. 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 Ten Years Ago

Employer	2007			1998		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Collier County Public Schools	5,701	1	14.3%	3,021	1	15.03%
Collier County Government	3,890	2	9.7%	2,354	2	11.71%
NCH Healthcare System	3,800	3	9.5%	1,482	3	7.37%
Ritz-Carlton Hotel	870	5	2.2%	-	-	0.00%
Naples Grande Beach Resort	800	4	2.0%	-	-	0.00%
City of Naples	515	6	1.3%	468	5	2.33%
Naples Beach and Tennis Club	482	7	1.2%	457	4	2.27%
Collier County Health Department	217	9	0.5%	145	6	0.72%
Allen Systems Group, Inc.	200	8	0.5%	137	7	0.68%
Wilsonmiller, Inc	150	10	0.4%	-	-	0.00%

Sources: Naples Economic Development Council
Employer Historical Records

Note: Certain information prior to GASB 34 is not available for 1998.

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

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund					
Mayor and Council	1.0	1.0	1.0	1.0	1.0
City Clerk	6.0	6.0	7.0	7.0	8.0
City Attorney	1.0	1.0	1.0	1.0	1.0
City Manager	4.0	5.0	4.0	4.0	5.0
Human Resources	6.0	6.0	7.0	7.0	7.0
Planning & Code Enforcement	8.0	8.0	8.0	8.0	8.0
Engineering	11.0	10.0	10.0	10.0	10.0
Building & Zoning	17.0	(a)	(a)	(a)	(a)
Finance	16.1	15.1	18.6	18.6	19.8
Community Services	50.3	50.5	50.0	51.0	51.0
Police and Emergency Services					
Police	117.2	115.2	114.2	114.2	115.7
Fire	53.0	53.0	53.0	54.0	55.0
Natural Resources	1.0	2.0	2.0	2.0	2.0
Non-Departmental	9.9	9.9	9.9	10.0	10.0
Water and Sewer Fund	93.0	93.0	94.0	94.6	93.5
Solid Waste Fund	33.0	33.0	33.0	33.0	30.0
Streets and Traffic Fund	4.0	4.0	4.0	4.0	5.0
Stormwater Fund	5.0	5.0	6.0	6.0	7.0
City Dock Fund	3.0	3.5	4.0	4.0	5.0
Tennis Fund	3.6	4.6	5.0	6.0	6.0
Beach Fund	10.7	10.7	10.7	11.9	13.3
Information Services Fund	7.0	7.0	8.0	9.0	10.0
Equipment Services Fund	11.0	11.0	11.0	11.0	11.0
Risk Management Fund	0.5	0.5	1.0	1.0	1.0
Building Permit Fund	(a)	20.0	21.0	22.5	24.5
Community Redevelopment	(d)	(d)	(d)	2.0	2.5
Construction Management	(b)	(b)	(b)	(b)	(b)
TOTAL EMPLOYEES	472.3	475.0	483.4	492.8	502.3

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) Newly funded starting in 2001.

Fiscal Year				
2003	2004	2005	2006	2007
1.0	1.0	1.0	1.0	1.0
7.0	8.0	8.0	8.0	8.0
1.0	1.0	1.0	1.0	1.0
4.0	3.0	4.0	4.0	4.0
7.0	7.0	7.0	7.0	7.0
8.0	7.0	10.0	10.0	10.0
10.0	(b)	(b)	(b)	(b)
(a)	(a)	(a)	(a)	(a)
20.8	21.8	20.8	21.8	21.8
50.0	43.0	42.0	42.0	47.5
111.7	111.7	111.7	111.7	111.7
59.0	59.0	59.0	59.0	61.0
2.5	(c)	(c)	(c)	(c)
10.0	10.0	10.0	10.0	12.0
94.0	96.0	99.5	99.5	96.0
26.0	25.0	25.0	25.0	29.0
5.0	5.0	5.5	5.5	5.5
7.0	7.0	5.5	5.5	5.5
4.0	5.0	5.0	5.0	5.0
6.2	4.0	4.0	4.0	4.0
12.6	13.1	14.1	14.1	14.3
10.0	11.0	11.0	11.0	11.0
11.0	11.0	11.0	11.0	11.0
2.0	2.0	2.0	2.0	2.0
24.5	27.5	26.0	26.0	28.0
3.5	3.5	6.0	6.0	9.0
(b)	8.0	8.0	8.0	8.0
497.8	490.6	497.1	498.1	513.3

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

Function/Program	Fiscal Year				
	1998	1999	2000	2001	2002
General government					
Commercial Permits Issued	241	236	267	322	308
Residential Permits Issued	604	649	816	888	782
Police					
Physical arrests	2,032	1,636	1,603	1,114	1,152
Parking violations	19,408	19,801	20,178	17,625	17,767
Traffic violations	11,066	10,266	10,409	9,541	10,652
Fire					
Emergency responses (a)	N/A	N/A	4,422	4,557	4,498
Fires extinguished (a)	N/A	N/A	104	74	52
Inspections (a)	N/A	N/A	4,396	4,044	5,011
Refuse collection					
Refuse (tons per day)	115	112	113	122	124
Recyclables (tons per day) (b)	N/A	N/A	N/A	N/A	N/A
Other public works					
Street resurfacing (miles)	2	3	1	2	4
Potholes repaired (c)	N/A	N/A	N/A	N/A	12
Parks and recreation					
Athletic field permits issued					
Beach parking permits issued	17,984	18,789	19,382	18,017	18,945
Community Center admissions					
Water					
New connections	296	352	348	288	300
Water main breaks	60	47	19	42	24
Average daily consumption (millions of gallons)	16.3	17.4	19.4	17.6	18.5
Peak daily consumption (millions of gallons)	21.6	23.2	24.4	24.0	24.0
Wastewater					
Average daily sewage treatment (thousands of gallons)	7,480	6,660	6,590	6,510	6,900

Sources: Various City Departments

Notes: (a) Fire department computer crash lost all data .

(b) The City contracted for recycle prior to 2004.

(c) the number represents the number of work orders given to patch hole contractor.

Fiscal Year				
2003	2004	2005	2006	2007
239	247	221	251	247
831	974	1,050	1,113	1,317
1,273	1,138	1,234	972	875
17,238	16,692	16,631	15,307	14,253
11,446	9,183	8,587	10,974	9,706
4,548	4,696	4,654	4,487	4,490
64	65	56	53	54
5,979	7,120	7,154	6,337	6,510
122	125	118	129	124
N/A	8	9	10	13
3	3	1	2	2
10	2	22	65	72
16,297	23,082	21,309	21,236	22,329
190	262	249	133	133
23	9	16	13	21
17.1	17.5	16.9	17.8	15.3
22.5	23.5	21.3	22.4	23.3
7,080	6,800	7,240	6,830	7,135

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

<u>Function/Program</u>	Fiscal Year				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Police					
Number of employees	118	122	122	122	123
Demand for services	41,638	43,185	45,177	43,302	36,669
Fire Stations	3	3	3	3	3
Refuse collection trucks	29	29	29	29	29
Other public works					
Streets (miles)	106	106	106	106	106
Streetlights	2,222	2,280	2,370	2,370	2,370
Traffic signals	44	44	45	46	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	16,174	16,385	16,502	16,788	17,196
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	30	30	30	30	30
Sewer					
Active Accounts	8,490	8,497	8,524	8,496	8,637
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	9	10	10	10	10

Sources: Various City Departments

Fiscal Year				
2003	2004	2005	2006	2007
122	122	121	120	124
38,095	54,710	56,393	68,365	60,908
3	3	3	3	3
25	25	25	27	27
106	106	106	106	106
2,370	2,370	2,370	2,370	2,371
47	47	47	47	47
1	1	1	1	1
3	3	3	3	3
1	1	1	1	1
1	1	1	1	1
17,311	17,520	17,697	17,718	17,723
1	1	1	1	1
30	30	30	30	30
8,602	8,614	8,638	8,651	8,647
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, as of and for the year ended September 30, 2007, which collectively comprise the City of Naples, Florida's basic financial statements and have issued our report thereon dated March 5, 2008. 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 of Naples, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Naples, Florida'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 as 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 separate letter dated March 5, 2008.

This report is intended solely for the information and use of the City Council, management, and federal 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 5, 2008



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, 2007, and have issued our report thereon dated March 5, 2008, 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*. Disclosures in that report, which are dated March 4, 2008, 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 govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

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 under the heading *Status of Prior Year Audit Recommendations*.

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, accounting procedures, and internal controls. 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 provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; (3) control deficiencies that are not significant deficiencies, including, but not limited to improper or inadequate accounting procedures, failures to properly record financial transactions, and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Matters required to be disclosed are reported under the heading *Current Year Findings and Recommendations*.

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

Section 10.554(1)(i)6., 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. This information has been 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, has not met 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, 2007, 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, 2007. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information of the City Council, management, and the State of Florida Office of the 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 5, 2008

STATUS OF PRIOR YEAR AUDIT RECOMMENDATIONS

06-01 Unclaimed Property

In the prior year, our review of utility deposits for the City disclosed approximately \$50,000 in deposits for which the holder of record was unknown. Per inquiry, we were informed that these deposits dated back to 1993, and were carried forward from the prior accounting software. The City was unable to identify the holder of record or the respective amounts due for each holder. Pursuant to Chapter 717, Florida Statutes, all intangible property that is held, issued, or owing in the ordinary course of the holder's business and for which the owner fails to claim such property for more than a specified period of time after the property becomes payable or distributable is presumed unclaimed property and is subject to the custody of the State of Florida Department of Financial Services. We recommended that the City consult with the Department regarding the proper disposition of these deposits and act accordingly.

Status – The City properly remitted the unclaimed deposits to the State of Florida during the current fiscal year.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

07-01 Grant Accounting

Our audit disclosed that controls over grants need improvement. The City's accounting system is not set up to account for grant expenditures by cost center or some other account number identifier, therefore making it extremely difficult to determine the amount of funds expended for each grant, and thus recording receivables, revenues, and deferred revenue in the proper period. As a result of our review of grant activity, several audit adjustments were required at year-end to adjust these accounts. In order to obtain the information to record these entries, each grant administrator had to be individually contacted to verify the amount expended for the grant. In addition, we noted that the amounts being billed for reimbursement were not always supported by complete documentation.

We recommend that the City structure a system capable of properly accounting for the transactions relative to grants, as well as maintaining more accurate and complete documentation of grant revenues and expenses.

07-02 Accounts Payable

During our search for unrecorded liabilities, we noted several exceptions in which invoices relating to goods or services received prior to year end were not recorded as payables in the proper period. Some of these unrecorded liabilities were due to delays in receiving the invoices by the Finance Department. Proper cutoffs are critical to ensure the accuracy of amounts reported in the financial statements.

We recommend that instructions regarding the basic concepts of proper cutoffs be provided to those individuals responsible for approving invoices for payment and accruing payables at year end.

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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 5, 2008

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

Dear Honorable David W. Martin, CPA:

Please see the current year 2007 Management Letter comments and response, below:

07-01 Grant Accounting

Comment: A review of grants for the City disclosed the City's accounting system is not set up to account for grant expenditures by cost center or some other account number identifier, therefore making it extremely difficult to determine the amount of funds expended for each grant, and thus recording receivables, revenues, and deferred revenue in the proper period.

Response: In 2007-08, some local agencies provided the grant funds when the grant contract was signed, instead of after the work was complete. The City recorded this immediately as revenue without waiting for the corresponding expenditure. In the future, all grants will now be assigned a tracking number to assist in ensuring that all transactions involving a particular grant will be recorded properly.

07-02 Accounts Payable

Comment: A review of unrecorded liabilities for the City disclosed several exceptions in which invoices relating to goods or services received prior to year end were not recorded as a payable in the proper period. Some of these unrecorded liabilities were due to delays in receiving the invoices by the Finance Department. Proper cutoffs are critical to ensure the accuracy of amounts reported in the financial statements.

Response: It is in our procedures that goods and/or services received prior to the close of the current fiscal year and not invoiced should be included in a list sent to the City's Comptroller to be recorded as a liability of the City. However, we still have failures in this area. Finance will work harder with the operating departments to get bills in on timely basis. We will enhance the year end closing procedures that are distributed to all departments in September to get better compliance.

Respectfully,

Ann Marie S. Ricardi
Finance Director