



City of Cape Coral

PRESENTATION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR
ENDED SEPTEMBER 30, 2008**



Financial Statements

- Comprehensive Annual Financial Report (CAFR)
 - Required by F.S. 218.39
- Sections of the CAFR
 - Introductory Section
 - Financial Section (Audit Report)
 - Management's Discussion & Analysis
 - Basic Financial Statements (including Notes to Financial Statements)
 - Combining Statements & Schedules
 - Statistical Section
 - Single Audit
 - Management Letter & City Management's Response



City of Cape Coral

- The City's financial statements have been audited by Purvis Gray and Co., a firm of licensed certified public accountants.
- The auditor has issued an unqualified ("Clean") opinion that the City's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles of the United States (GAAP).



City of Cape Coral

- There were no matters involving internal control over financial reporting and its operation that were considered to be material weaknesses.
- There were no instances of noncompliance or reportable conditions that are required to be reported under *Government Auditing Standards*.



Understanding and Analyzing the Financial Statements

- Accrual or Economic Resources Measurement Focus vs.
- Modified Accrual Accounting or Current Financial Resources Measurement Focus
- Government-wide Financial Statements
- Fund Financial Statements



Understanding and Analyzing the Financial Statements

- Near-term Financing
- Financial Position
- Economic Condition



Near-Term Financing

- Is the Government able to meet its short-term Financial Obligations:
 - Are its operating inflows able to cover operating outflows?
 - Is the government financially prepared for contingencies, i.e. Reserves
- General Fund-Revenues exceeded expenditures by \$2 million.
- All Governmental Funds, expenditures exceeded revenues by \$21.9 million (primarily associated with on going capital projects spend down of existing resources.)
- Enterprise Funds – operating revenues exceeded operating expenses (not including depreciation) by \$11.3 million.



Near-Term Financing

- Is the Government able to meet its short-term Financial Obligations:
 - Is the government financially prepared for contingencies, i.e. Reserves
- Reserves:
 - General Fund – Undesignated Reserves @ \$14.2 million or 1.23 times monthly expenditures. (policy-2 times monthly expenditures)



Financial Position

- Financial Position is an essential point of reference for determining whether a government's overall financial situation is improving or deteriorating.
 - At September 30, 2008, the City's assets exceeded its liabilities by \$717.0 million (net assets).
 - Governmental net assets represented \$287.6 million
 - Business-type net assets represented \$429.4 million
- The City's total net assets (all fund types) increased by \$31.2 million, or 4.5%, compared to September 30, 2007.



Economic Condition

- Economic Condition focuses on the likelihood that today's *financial position* will improve in the future.
 - What are the factors that affect today's financial position.
 - Much of the data to evaluate Economic Condition involves nonfinancial data (e.g. population and unemployment) and financial trends (e.g. statistical section of the CAFR).



Economic Condition

- Nonfinancial data affecting economic condition for the future:
 - Trends in Population – increasing, decreasing or stagnant.
 - Trends in Unemployment – increasing, decreasing or stagnant.
 - Vacancy rates in commercial buildings.
 - Bond ratings.
 - Service provisions.



Economic Condition

- Financial Trends affecting economic conditions:
 - Trends in property value
 - Trends in construction (single industry City)
 - Revenue trends – increasing, decreasing, stagnant
 - Expenditure trends – increasing, decreasing, stagnant



Summary of Economic Condition

- Population is stagnant or decreasing
- Unemployment has increased
- Vacancy rates – 20 to 25% vs. 8% two years ago.
- Bond Ratings – Negative Watch – results of the following:
 - distressed housing market, recently enacted property tax reform, and passage of Amendment 1
- Government Service Provisions - declining



Summary of Economic Condition

- Property value trend – declining
- New construction – declining or at bottom.
- Revenue trends – declining
- Expenditure trends:
 - Fixed operating – increasing
 - Variable operating – decreasing
 - Capital - decreasing



Other Financial Information

- Pledged-Revenue Coverage: For FYE September 30, 2008 the water & sewer 100% calculation was 88%.
- Forecasted FYE September 30, 2009 the City is anticipating the coverage to be 107% due to a water & sewer rate increase effective October 1, 2008 and additional cost controls.



Other Financial Information

- Negative Total Net Assets:
 - Building Division
 - Water Park
 - Forecast to continue to decline over next several years

- Does not meet GAAP requirements for enterprise funds and recommend reclassify the Building Division & Water park from enterprise funds to special revenue funds for FY 2009.

- The City establishes policy regarding cost recovery for certain activities.
 - Water Park fees do not fully recover all costs such as, depreciation, debt service, & Other Post Employment Benefits (OPEB).
 - Building Fund fees are not recovering all costs such as depreciation and OPEB.



Other Financial Information

- Major capital asset purchases and projects included the following:
 - Purchased fire rescue trucks. Construction of Fire Station#9.
 - Construction of North RO Plant.
 - Del Prado widening, Santa Barbara widening and other road improvement projects.
 - Renovation and expansion of the Everest Water Reclamation Facility and the Southwest Water Reclamation Facility.
 - Construction of Southwest Five/Surfside, and North Central Loop utility line extension projects.
 - 3 Waterslides at Sunsplash; Development of Neighborhood Park #1 & #4; and other improvements to parks.



Summary

- The City's Near-Term Financing is in good condition.
- The City's Financial Position as of September 30, 2008 reflected an overall increase in Net Assets
- The City's Economic Condition will be challenging and will likely reflect a decline in Financial Position over the next several years.