

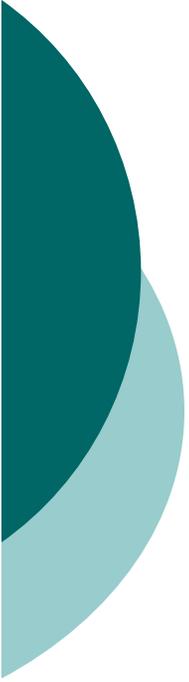


# City of Cape Coral

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## **PRESENTATION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

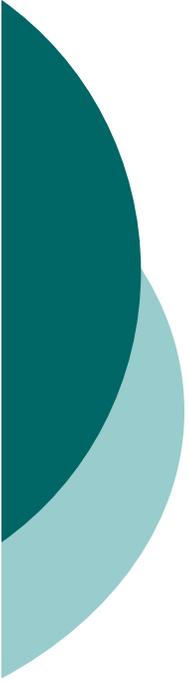
**FOR THE FISCAL YEAR  
ENDED SEPTEMBER 30, 2008**



# Financial Statements

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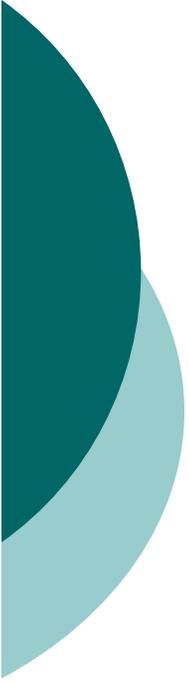
- Comprehensive Annual Financial Report (CAFR)
  - Required by F.S. 218.39
- Sections of the CAFR
  - Introductory Section
  - Financial Section (Audit Report)
  - Management's Discussion & Analysis
  - Basic Financial Statements (including Notes to Financial Statements)
  - Combining Statements & Schedules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



# City of Cape Coral

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- 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

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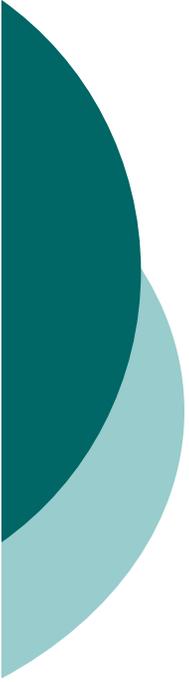
- There were no matters involving internal control over financial reporting and its operation that were considered to be material weaknesses.
- There were no instances of noncompliance or reportable conditions that are required to be reported under *Government Auditing Standards*.



# Understanding and Analyzing the Financial Statements

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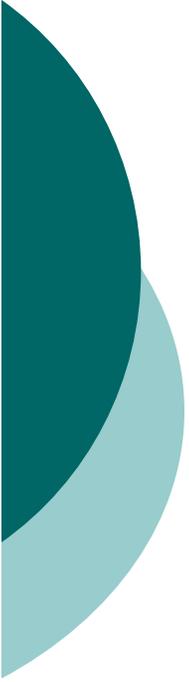
- Accrual or Economic Resources Measurement Focus vs.
- Modified Accrual Accounting or Current Financial Resources Measurement Focus
- Government-wide Financial Statements
- Fund Financial Statements



# Understanding and Analyzing the Financial Statements

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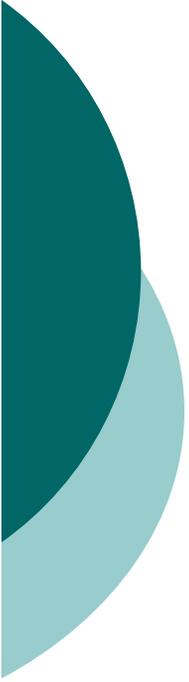
- Near-term Financing
- Financial Position
- Economic Condition



# Near-Term Financing

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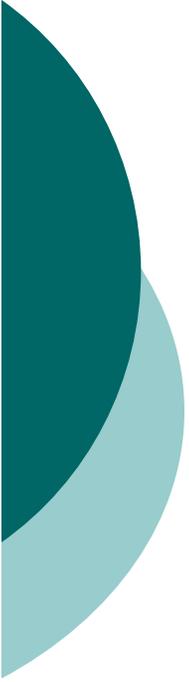
- Is the Government able to meet its short-term Financial Obligations:
  - Are its operating inflows able to cover operating outflows?
  - Is the government financially prepared for contingencies, i.e. Reserves
- General Fund-Revenues exceeded expenditures by \$2 million.
- All Governmental Funds, expenditures 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

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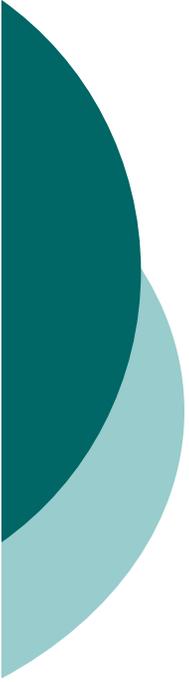
- Is the Government able to meet its short-term Financial Obligations:
  - Is the government financially prepared for contingencies, i.e. Reserves
- Reserves:
  - General Fund – Undesignated Reserves @ \$14.2 million or 1.23 times monthly expenditures. (policy-2 times monthly expenditures)



# Financial Position

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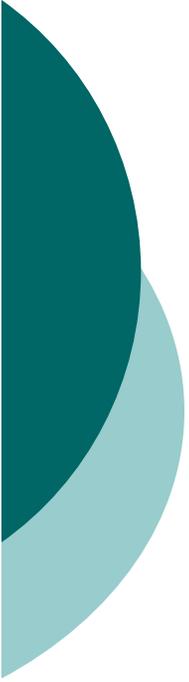
- Financial Position is an essential point of reference for determining whether a government's overall financial situation is improving or deteriorating.
  - At September 30, 2008, the City's assets exceeded its liabilities by \$717.0 million (net assets).
    - Governmental net assets represented \$287.6 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

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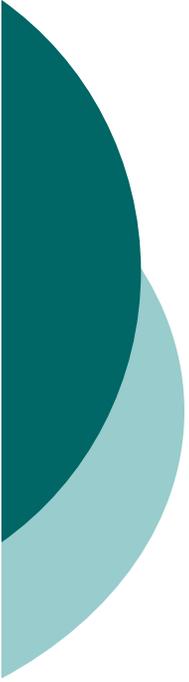
- Economic Condition focuses on the likelihood that today's *financial position* will improve in the future.
  - What are the factors that affect today's financial position.
  - Much of the data to evaluate Economic Condition involves nonfinancial data (e.g. population and unemployment) and financial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



# Economic Condition

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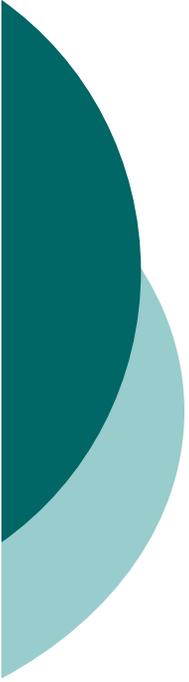
- Nonfinancial data affecting economic condition for the future:
  - Trends in Population – increasing, decreasing or stagnant.
  - Trends in Unemployment – increasing, decreasing or stagnant.
  - Vacancy rates in commercial buildings.
  - Bond ratings.
  - Service provisions.



# Economic Condition

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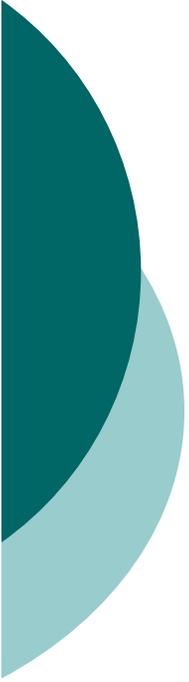
- Financial Trends affecting economic conditions:
  - Trends in property value
  - Trends in construction (single industry City)
  - Revenue trends – increasing, decreasing, stagnant
  - Expenditure trends – increasing, decreasing, stagnant



# Summary of Economic Condition

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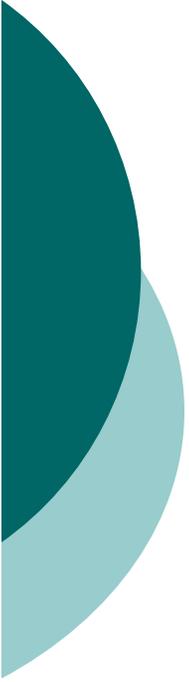
- Population is stagnant or decreasing
- Unemployment has increased
- Vacancy rates – 20 to 25% vs. 8% two years ago.
- Bond Ratings – Negative Watch – results of the following:
  - distressed housing market, recently enacted property tax reform, and passage of Amendment 1
- Government Service Provisions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



# Summary of Economic Condition

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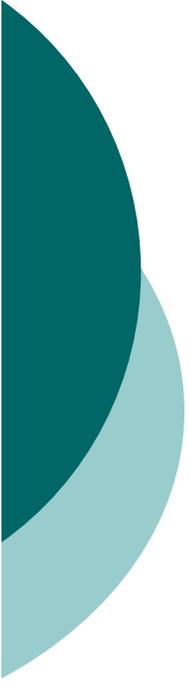
- Property value trend – declining
- New construction – declining or at bottom.
- Revenue trends – declining
- Expenditure trends:
  - Fixed operating – increasing
  - Variable operating – decreasing
  - Capital - decreasing



## Other Financial Information

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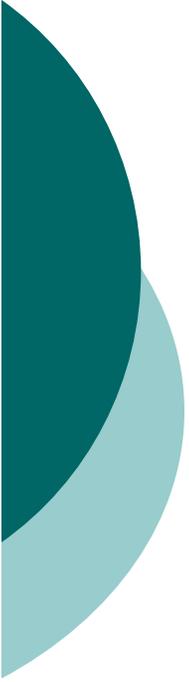
- Pledged-Revenue Coverage: For FYE September 30, 2008 the water & sewer 100% calculation was 88%.
- Forecasted FYE September 30, 2009 the City is anticipating the coverage to be 107% due to a water & sewer rate increase effective October 1, 2008 and additional cost controls.



# Other Financial Information

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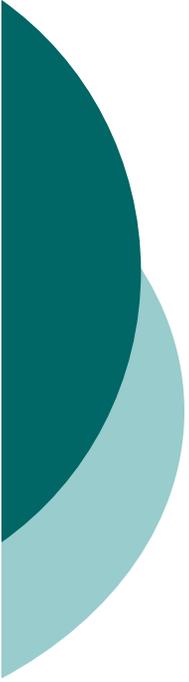
- Negative Total Net Assets:
  - Building Division
  - Water Park
  - Forecast to continue to decline over next several years
  
- Does not meet GAAP requirements for enterprise funds and recommend reclassify the Building Division & Water park from enterprise funds to special revenue funds for FY 2009.
  
- 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

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- 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

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- 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.