



*City of* **Miami**  
*Springs*

**Popular Annual Financial Report** for Fiscal Year ended September 30, 2017





# About this Financial Report

**As part of our continuous effort to keep you informed on how your tax dollars are being spent, we are pleased to present the 2017 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City's governmental funds and was drawn from information found in the 2017 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and includes the City's financial statements audited by Caballero Fierman Llerena + Garcia, LLP.**

Unlike the CAFR, the PAFR is un-audited and presented on a non-GAAP basis. The GAAP basis presentation in the CAFR includes the presentation of individual funds, as well as full disclosure of all material events, financial and non-financial, in notes to the financial statements. Copies of the CAFR and PAFR are available for public viewing at City Hall and online at [www.miamisprings-fl.gov](http://www.miamisprings-fl.gov).



## Highlights of Fiscal Year FY 2017

During the March 12, 2018 Council meeting, the City's external auditors, Caballero Fierman Llerena + Garcia, LLP, presented the City Council with the FY2017 CAFR which showed the City reported a strong General Fund balance of \$3.3 million.

For FY2017, the City's total property tax rate was 7.5000 and was one of the lowest rates in the past thirteen years. Further, the total property tax rate for the City has been reduced by 14% from a high of 8.7440 in FY2003 to the aforementioned 7.500 in FY 2017.



## Financial Highlights

- The assets and deferred outflows of the City of Miami Springs exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$24.4 million (net position). Unrestricted net position was a deficit of \$1.6 million compared to a deficit of \$3.0 million net position at the end of FY2016. The decreased deficit in unrestricted net position was due to a reduction in pension liability for FY2017.
- The City's total net position increased by \$1.5 million from \$22,689,871 in FY2016 to \$24,242,300 in FY2017. The increase is attributable to the overall decrease of \$243,301 from the City's business-type activities, coupled with an increase of \$1,795,631 in net position of the governmental activities.
- During the year, the City had expenditures that were \$406,272 lower than the \$18.9 million generated in tax and other revenues for governmental funds.
- The business type activities for the City recognized an operating loss before non-operating revenues, expenses, and transfers of \$234,378.
- Total cost of all of the City's programs decreased by approximately \$812,112 or 6.7% with no new programs added this year. The decrease was due to increases in building department revenues for new hotel projects during the fiscal year.
- The General Fund's fund balance increased by \$523,429 for the fiscal year ended September 30, 2017; this increase was a result of budgeted surplus by Council to replenish fund balance in order to meet the required 25% of budgeted expenditures required by City policy.
- At the end of the current fiscal year, the unassigned fund

balance for the General Fund was approximately \$3.3 million, or approximately 21% of total general fund expenditures. The committed fund balance was \$198,831 which represents future costs related to the new Senior center facility.

- The City's total debt decreased by approximately \$224,170 or 2.4% (net of principal payments on existing debt). This decrease was due primarily to debt service payments during FY2017.

## Types of Funds

### Governmental Funds

- The **General Fund** accounts for revenues and expenditures associated with the general operations of the City that are not required to be accounted for in separate funds.
- **Special Revenue Funds** account for proceeds of specific revenue sources that are legally restricted for specific purposes. (eg: streets and schools). The City of Miami Springs has four Special Revenue funds, Road & Transportation, Senior Center, Miami Springs Properties, Inc. (a component unit) and the Law Enforcement Trust Fund.
- **Debt Service Funds** account for the payment of principal and interest on long term debt. Revenues for these funds are from non-ad-valorem taxes pledged specifically to repay certain outstanding Notes (eg: Golf Course and Country Club Note, the Aquatic Facility Note and capital leases on equipment).
- **Capital Projects funds** account for the financial resources used for the construction and/or acquisition of major capital facilities. The City has one Capital Projects fund.

### Enterprise Funds

**Enterprise Funds** account for activities the City operates similar to private businesses. The City

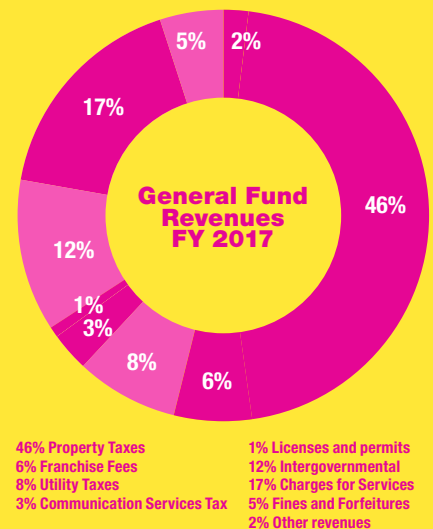
operated two Enterprise funds during FY2017: Sanitation and Stormwater.

The PAFR will focus on the one fund of most importance to the citizens: the General Fund, since this is the fund where ad valorem property taxes are received and appropriated.

## The General Fund

### General Fund Revenues

When compared to 2016, total revenues for the General Fund increased by \$1,095,979 or 7.3%. Property taxes accounted for a \$429,731 or 6.1% increase



due to higher assessed values. Fines and forfeitures increased by approximately \$247,294 due to increased red light fines as well as traffic citations issued by our Police. Charges for Services increased by \$311,386 due to the reimbursement paid by the Building Operation Fund for General Fund administrative costs.

**Property Taxes (\$7.5 million or 46%)** Property taxes consist of real and personal property taxes paid by Miami Springs property owners. The millage rate for FY2017 was

7.5000 or \$7.50000 per \$1,000 of assessed property value. This millage was same as in FY2016.

**Intergovernmental Revenues (\$2.0 million or 12%)** These revenues consist of payments received from the State of Florida in the form of shared tax revenues. The largest payments in this category are sales tax revenue sharing payments from the State.

**Charges for services (\$2.7 million or 17%)** These revenues consists of charges by the city for services such as Recreation, Golf, and City Hall administrative fees.

**Utility Fees (\$1.2 million or 8%)** These revenues consist of payments to the City of its 10% utility tax on electricity, water, and gas systems. The largest payments in this category are electricity utility taxes received from Florida Power and Light.

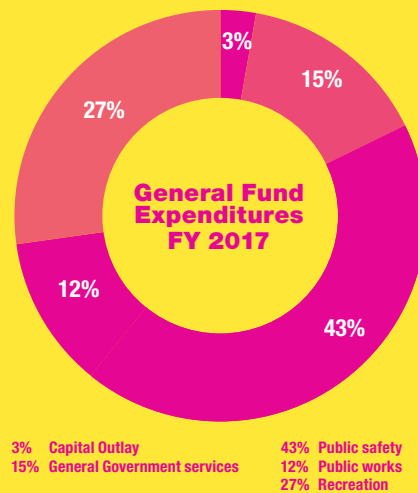
## General Fund Expenditures

In fiscal year 2017, total General Fund expenditures increased by \$315,493 or 2.2% compared to the prior year. The bulk of the increase was a \$337,553 or 8.9% increase in Recreation and Social Services due to the effects of a full year of operation at the new aquatic facility since in FY2016 the facility was

opened for only 3 months. It should be noted that other departments reported increases in operating costs due to higher than expected operating costs.

During the year, the General Fund also provided \$1,095,004 in transfers to other funds; the City transferred \$920,860 to the Debt Service fund, and \$174,144 to the Senior Center.

Where does the money go? \$14.6 million Total Expenditures:



### Public Safety (\$6.3 million or 43%)

Expenditures include personnel and operating expenses to maintain the City's police force, Building and Zoning, and Code Compliance.

### Recreation (\$3.9 million or 27%)

Expenditures include personnel and operating expenses to maintain the City's Recreation department and the golf course operation.

### General Government (\$2.2 million or 15%)

Expenditures include personnel and operating expenses of the Council, City Clerk, City Attorney, City Manager, Finance, Planning, Human Resources and Information Technology.

### Public Works (\$1.7 million or 12%)

Expenditures include personnel and operating expenses to maintain the City's streets, roads, and other infrastructure.

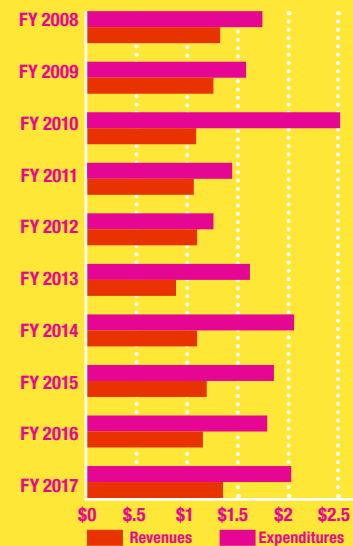
The golf operation was made a

part of the Recreation Department within the General Fund during a prior year, however, in order to provide all interested parties with an overview of the operating results for the Golf Course, we have prepared the following synopsis of the operations for FY2017:

### The Golf Course Operation

Revenues for the City's Golf Course operations were \$1,395,692 or 14.7% higher than the \$1,216,591 reported in FY2016. The increase in revenues was attributable to city taking over the food and beverage operation during the first quarter of FY2017. Expenditures for FY2017 were \$2,007,447 or 11.7% higher than the \$1,796,687 for FY2016. The Golf and Country Club Fund had a net loss before transfers of \$611,755 for the fiscal year ended September 30, 2017. This deficit partly due to the effects of Hurricane Irma, the deficit was funded by the General Fund.

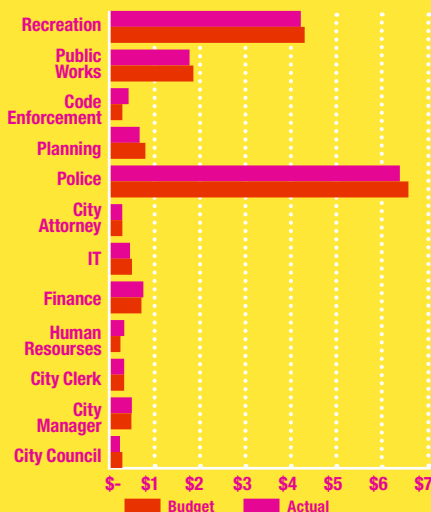
### Golf and Country Club Historic Revenues and Expenses in Millions \$



## Fund Balance

The General fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or by

### Actual Departmental Expenditures vs. Budget in Millions \$



contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, the total fund balance of the general fund was \$3.7 million, as compared with \$3.2 million in the prior year.

#### What does Fund Balance mean?

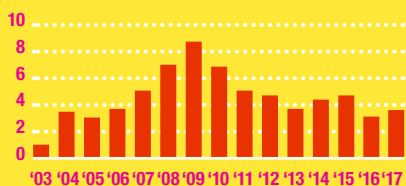
A fund balance is defined as the difference between total assets and total liabilities. Total assets are the resources the City can use to pay bills; whereas total liabilities are the obligations that the City has to pay within a fiscal year. The fund balance is separated into five components. Non-spendable, restricted, committed, and assigned are set aside for specific purposes. Unassigned fund balance provides working capital for the City and is used for all other spendable purposes including infrastructure improvements, and future uncertainties.

The breakdown of fund balance classifications is as follows:

- Unassigned fund balance was \$3.3 million compared to \$2.8 million in FY2016; increase was due to additional surplus budgeted by Council to replenish our reserves after the golf course debt prepayment.
- Committed was \$198,831 compared to \$150,000 in FY2016; increase is due to funds designated during FY2017 for the construction of a new Senior Center.
- Non-spendable was \$194,548

#### General Fund Unrestricted Surplus (Deficit)

For the Fiscal Years ended September 30, 2003-2017  
in millions \$



compared to \$214,573 last year; this category is for city inventories in Public Works and Golf Course.

Over the past 15 years, the City's General Fund balance has steadily increased from a deficit of approximately \$300,000 in FY2002 to a surplus of \$3.7 million in FY2017. Our current unassigned fund balance of \$3.3 million represents almost 21% of budgeted expenditures. [See discussion of fund balance in the long term Financial Plan section below.](#)

Government Finance Officers Association's (GFOA) generally accepted guidelines recommends that a government maintain at least 15-20% of their general fund budgeted expenditures as "reserves", [OUR CITY MAINTAINS A MINIMUM RESERVE OF 25%](#) because we are in a hurricane prone area.

### Business-type Activities (Sanitation and Stormwater Funds)

For FY 2017, there was a decrease of approximately \$91,415 in unrestricted net position and a decrease of \$243,201 in total net position reported in connection with the City's business-type activities.

Key elements of these changes are as follows:

- The operating loss for all business-type activities was \$234,378.
- The Sanitation operation posted an operating loss of \$65,757. As was the case last year, this operation was self-supporting and did not require a general fund subsidy.
- The Stormwater utility operation reflected an operating loss of \$168,621, and required no subsidy from the City's general fund.

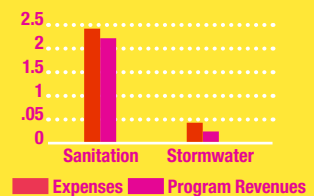
For FY2017, revenues of the City's business-type activities were \$2,527,476 or approximately \$471,046 (16%) lower than the prior year total. This decrease was due to a capital

infrastructure grant received during the 2016 fiscal year.

Operating expenses for the business-type activities decreased by \$163,815 or 5.6% from FY2016 mainly due to decreases in operating costs.

#### Expenses & Program Revenues-Business-type Activities

For the Fiscal Years ended September 30, 2017  
in millions \$



## Economic Growth

The City of Miami Springs is located in southeast Florida, Miami-Dade County, immediately north and bordering the Miami International Airport. The City, primarily residential in nature, comprises approximately 3 square miles with approximately 14,000+ full-time residents. The southern-most area of the City, located along the 36th Street business corridor, is primarily commercial in nature with hotels, restaurants and office complexes. These facilities primarily service the airport and support industries related to the facility and its employees. The City of Miami Springs has been successful in providing a high quality of life for its residents, by enhancing the level of services being offered. In addition to the increased efforts to enhance services, the City has also provided increased benefits to its employees, since it would not be possible to continue to provide these valuable services without the retention of its valuable employees.

The Administration recognizes the importance of increasing its





commercial tax base, for FY2017 the commercial portion of the total assessed values was 34% compared to 24% back in FY2009. The City continues to attract new hotel and other commercial developments in order to continue increasing its commercial tax base thereby improving the City’s future economic health as well as reducing the tax burden on the residents. To this end, the City is continuing to pursue the viability of annexing areas west of the City, aggressively pursuing the re-development of the NW 36th Street corridor, and considering various improvements to the rest of our commercial areas.

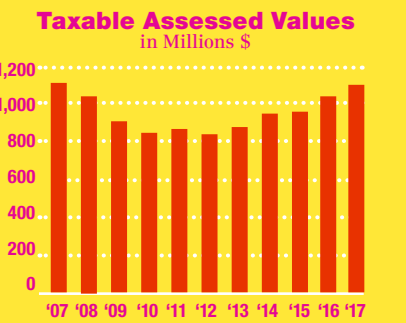
During the past few years assessed property values have been steadily increasing. For FY2017 assessed property values increased to \$1,121,725,782 or an increase of approximately \$83 million or 8% from the \$1,038,827,487 in final taxable value for the prior fiscal year. It is anticipated that property values will continue to increase due to the desirability of the small town aspect of the city as well as its close proximity to the Miami International Airport and to Greater Downtown Miami.

In FY2017, the City signed a new three-year agreee-ment with its police union.

The Council and Administra-tion’s efforts in prior years to in-crease the City’s reserves provided

the City with an adequate reserve fund that has been used to fund various infrastructure projects that our aging city required, as well as equipment replacement city-wide. The City continues to concentrate efforts on reducing expenditures and/or increas-ing efficiencies in order to meet the challenges described above. The City has outsourced some operations during the past few years that resulted in cost reduc-tions and increased efficiency.

The chart below shows the changes in assessed property values for the past ten years:



## Long Term Debt

### Capital Improvement Refunding Revenue Note-Series 2015

On February 27, 2015, the City issued the Capital Improvement Refunding Revenue Note Series 2015 in an amount of \$7,554,000 with SunTrust Bank. The proceeds

were used as follows: \$1,986,733 was used to refund the \$2,435,812 Capital Improvement Refunding Revenue Note Series 2010 with SunTrust Bank, and \$5,567,267 was used to fund the construction of a new aquatic facility. The refunding note has a fixed interest rate of 3.07% and matures on February 1, 2030. The refunding note is payable solely from and secured by the City’s Public Service Tax Revenues and Franchise Fee Revenues. The City achieved a cash flow difference and an economic gain of approximately \$67,719 as a result of the refunding. The balance at September 30, 2017 was \$6,546,000.

### Capital Improvement Revenue Note Series 2017

On April 28, 2017, the City issued the Capital Improvement Revenue Note Series 2017 in an amount of \$448,500 with Branch Banking and Trust (BB&T). The proceeds were used to fund the Westward Bike Path project. The note has a fixed interest rate of 2.13% and matures on April 1, 2024. The note is payable solely from and secured by the City’s Transportation Surtax revenues. The balance at September 30, 2017 was \$432,482.

Debt service requirements to maturity for the fiscal year ending September 30 are summarized in the table below.

	SERIES 2015 CAPITAL IMPROVEMENT REFUNDING NOTE		SERIES 2017 CAPITAL IMPROVEMENT REVENUE NOTE		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2018	437,000	197,662	64,071	8,700	501,071	206,362
2019	450,000	184,139	64,071	7,336	514,071	191,474
2020	465,000	170,216	64,071	5,971	529,071	176,187
2021	479,000	155,833	64,071	4,606	543,071	160,440
2022	493,000	141,020	64,071	3,242	557,071	144,262
2023-2027	2,708,000	466,348	112,127	2,388	2,820,125	468,736
2028-2030	1,514,000	70,410	-	-	1,514,000	70,410
Total, net	\$6,546,000	\$1,385,628	\$432,482	\$32,243	\$6,978,480	\$1,417,871

## Capital Leases

The City has entered into a lease agreement, with a local financial institution, as lessee for financing the acquisition of machinery and equipment for city-wide use. On April 30, 2014, the City executed a fifteen year Master Equipment Lease Purchase agreement with Green Campus Partners, LLC for a city-wide energy conservation project. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of its future minimum lease payments as of the inception date. The gross amount of equipment leased and capitalized under these leases was approximately \$3,236,399.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

YEAR ENDING SEPTEMBER 30,	
2018	468,295
2019	244,169
2020	248,146
2021	194,524
2022	151,843
2023-33	1,201,848
Total minimum lease payments Less: amount representing	2,508,824
Less: amount representing Interest at 1.54% to 3.615%	(451,149)
Present value of minimum Lease payments	<u>\$ 2,057,674</u>

## Long Term Financial Plan

In fiscal year 2010, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be equal to 25% of the operating expenditures and transfers out budgeted for the General Fund in the subsequent year. The total



unassigned fund balance at the end of FY2017 is \$3,335,388 or approximately \$164,612 less than our required minimum of \$3.5 million in order to meet the 25% requirement. In accordance with the adopted policy of funding any deficit within the next two fiscal years, Council agreed to fully fund this deficit with a \$465,000 surplus in FY2018 at which time the fund balance will be back to well over the \$3.5 million and in compliance with the 25% requirement.

The City is pursuing grant and other funding opportunities to provide needed infrastructure improvements to the City, including funding for canal bank restoration, a new Senior Center facility, sidewalk and road projects, and other city infrastructure needs.

## Awards

The City received the following awards from the Government Finance Officers Association (GFOA):

- Distinguished Budget Presentation Award for the year beginning October 1<sup>st</sup> 2017.

- Certificate of Achievement for Excellence in Financial Reporting, FY 2016 Comprehensive Annual Financial Report (CAFR). The FY 2017

CAFR has been submitted for review.

- Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2016. The FY 2017 PAFR has been submitted for review.

Each of these awards is valid for a period of one year only. For more information on this report or the City's finances, please call the Finance Department at 305-805-5015.



Government Finance Officers Association

### Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to  
**City of Miami Springs  
Florida**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morrell*

Executive Director/CEC



City of Miami Springs  
201 Westward Drive  
Miami Springs, Florida 33166

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 City of Miami Springs-Government



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