

INTRODUCTION

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 2.8 square miles with approximately 14,000 full-time residents. The southern-most area of the City, located along the 36th Street business corridor, is 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. But in addition to the increased efforts to enhance services, the City has also provided increased benefits to its employees, as a recognition of the fact that, in order to continue to provide these valuable services, it must retain and reward its valuable employees.

The City operates under a City Manager form of government in which the City elects five council members, one of whom is the Mayor, every two years. The City Council determines the policies that guide the City's operations and hiring a City Manager to implement and administer these policies on a full-time basis.

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 2005 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 2005 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) and includes financial statements audited by Caballero & Castellanos, LLP.

Unlike the CAFR, the PAFR is unaudited 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 are available for public viewing at City Hall and online at www.miamisprings-fl.gov.

AWARDS

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

- Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2004. (The FY2005 CAFR has been submitted for review and we fully expect to receive the award for FY2005).
- Distinguished Budget Presentation Award for the year ended September 30, 2004 (the first award of this type received by the City).

Each of these awards is valid for a period of one year only. We believe our CAFR continues to conform to the GFOA award program requirements and we have submitted it for review.

FINANCIAL HIGHLIGHTS

- The assets of the City of Miami Springs exceeded its liabilities at the close of the most recent fiscal year by \$20 million (net assets). Of this amount, \$3 million (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$696,213 from \$19,279,298 in FY2004 to \$19,976,211 in FY2005. The increase was mainly attributable to current year operations. For current year operations, net assets of our business-type activities increased by \$45,083, while the net assets of our governmental activities increased by \$651,830.
- During the year, the City had expenses that were \$651,830 less than the \$15.1 million generated in tax and other revenues for governmental programs.
- The business type activities for the City recognized \$6.8 million in revenues against \$7.5 million in expenses that resulted in a \$700,000 decrease in net assets before transfers.
- Total cost of all of the City's programs increased by \$1.8 million with no new programs added this year.
- The General Fund's fund balance increased by \$125,885 for the year ended September 30, 2005, this increase was a result of current year operations.
- At the end of the current year, unreserved fund balance for the General Fund was \$2.5 million, or 22 percent of total general fund expenditures and operating transfers
- The City's total debt decreased by \$634,687 or 4 percent with no debt issued during the fiscal year.

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. (e.g. streets and schools).
- **Debt Service Funds** account for the payment of principal and interest on long term debt. Revenues for these funds are from ad-valorem taxes pledged specifically to repay certain outstanding bond issues.(e.g. Golf Course Bond).

Enterprise Funds

Enterprise Funds account for activities the City operates similar to private businesses. The City of Miami Springs has three enterprise funds: Water & Sewer, Sanitation, and Stormwater.

The PAFR will focus on the three funds of most interest to citizens: the General Fund, Golf Course Fund, and the Water & Sewer Fund.

THE GENERAL FUND

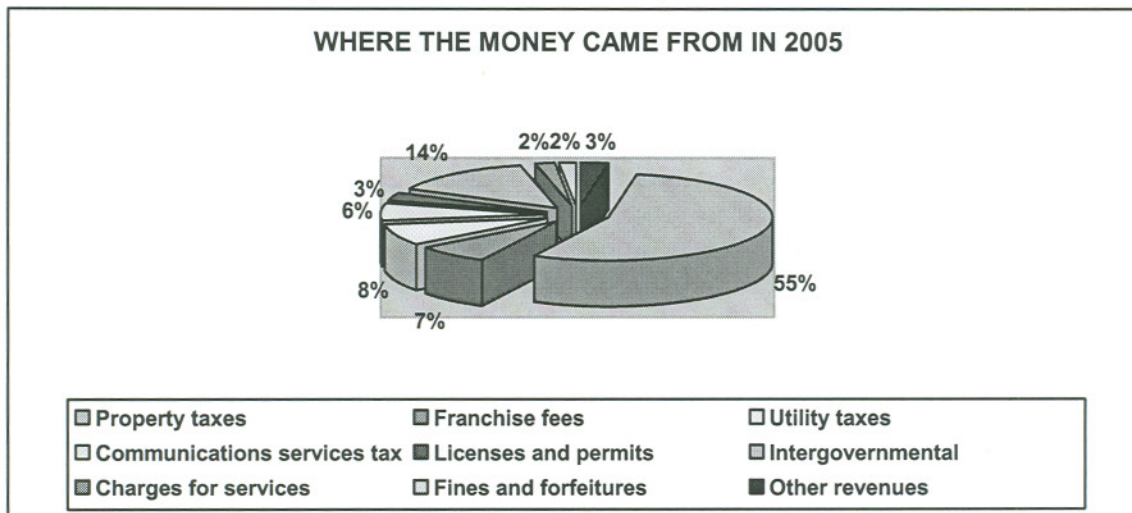
Fund Balance

Fund Balance is the excess of what the City owns (assets) over what the City owes (debts or liabilities). The City of Miami Springs follows the GFOA's recommendation that local governments maintain a minimum of 10% of annual budgeted general fund expenditures as a fund balance. The City has exceeded this goal over the past two years; the unreserved fund balance at September 30, 2006 (\$2.5 Million) stood at 22% of expenditures. In addition, Council has designated approximately \$1.5 million of fund balance for various future City projects and equipment needs.

General Fund Revenues

Compared to the prior year, total General Fund revenues increase by \$919,426 or 9.1% in fiscal year 2005. Property taxes accounted for the bulk of the increase. The \$402,051 or 7.1% increase in property tax revenue was due to increases in taxable property values. Intergovernmental revenues increased by 30.1% from FY2004 mainly due to higher revenue sharing funds received from the State. Investment income increased by 354% due, in part, to investments in higher yielding certificates of deposits during the year, as well as the City having additional funds to invest during the year.

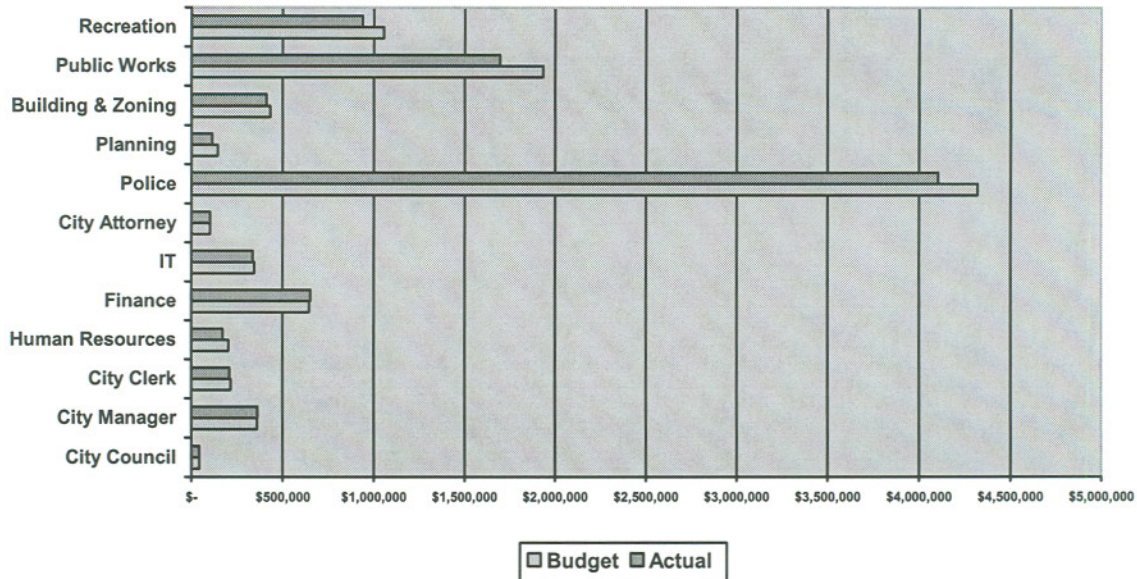
A breakdown of the composition of the revenues is provided below:



General Fund Expenditures

General fund expenditures totaled \$9.3 million, or \$639,000 under final budget. Expenditures in the General Fund increased by 4.9% over the previous fiscal year. Additionally, all Departments came in under final budget. This favorable result is typical for the City of Miami Springs and results from the administration's active use of the budget to control expenditures.

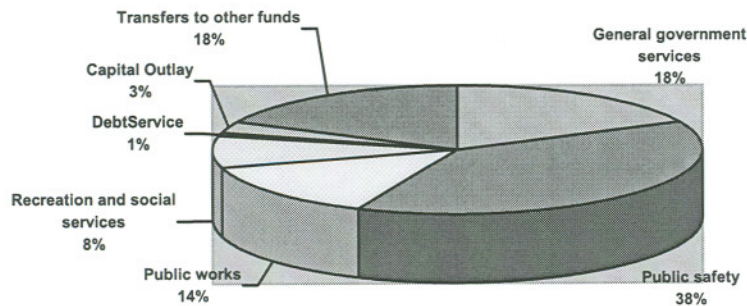
City Departments Show Controlled Spending



During the year, the General Fund also provided \$2,017,584 in transfers to other funds; the City incurred approximately \$210,000 in un-reimbursed hurricane clean up costs from Hurricane Katrina as well as approximately \$953,699 in costs related to the golf course, \$128,646 to the Senior center, and \$725,000 in operating transfers to the Water and Sewer and Sanitation Funds to cover operating deficits for the fiscal year.

The following chart details the way resources from the General Fund were used:

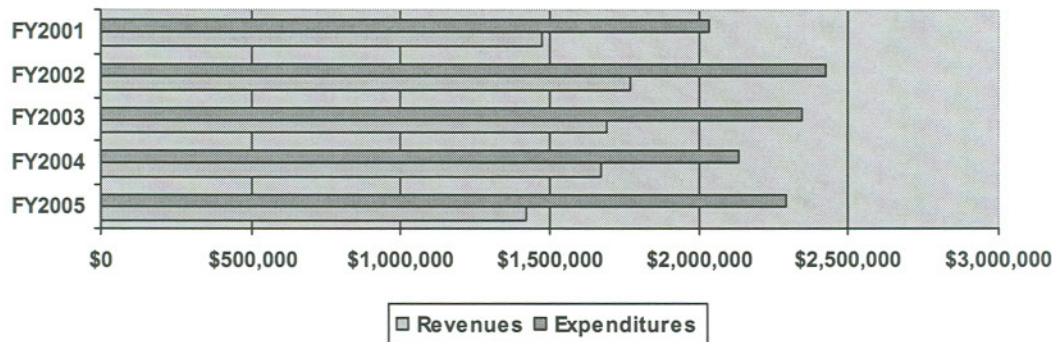
WHERE THE MONEY WENT IN 2005



The Golf Course Fund

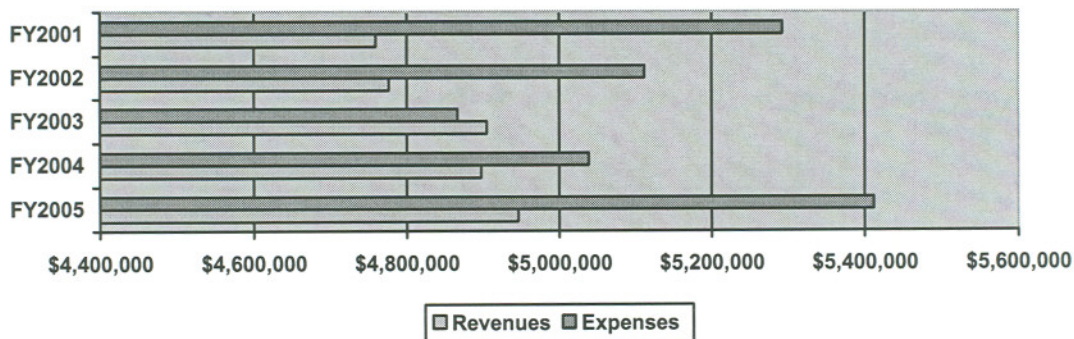
Revenues for the City's golf course operations were \$1,418,661 or 15% lower than the \$1,668,506 reported in FY2004. The decrease in revenues was attributable to the reduction of banquet sales during the fiscal year. Expenditures for FY2005 were \$2,293,338 or 7.5% higher than the \$2,133,558 for FY2004, part of the reason for the increase in expenditures is due to the costs of the new addition at the golf course clubhouse. The Golf Course Fund had excess of expenditures over revenues of \$874,676 for the fiscal year ended September 30, 2005, this deficit was funded through an operating transfer from the General Fund of \$953,700.

The following chart shows that the City's golf course operation has experienced stagnant or declining revenues over the past four years, while expenditures have remained in the over \$2 million range during this same period.



The Water and Sewer Fund

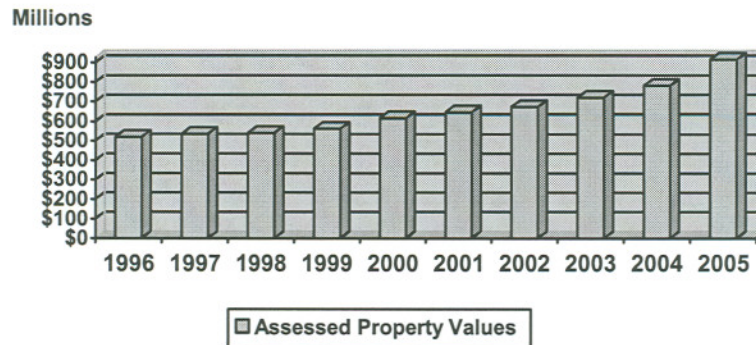
Water and sewer operating expenses increased by \$428,280 or 10.2 percent due to various factors, one of which was the discovery of a significant infiltration and inflow problem with the City's sewer infrastructure system. The City has dedicated a significant amount of funds in FY 2005 and FY 2006 for TV work in order to identify major problem areas within the system. The results of these tests revealed various problem areas that have been or are in the process of being sleeved. The Water and Sewer Fund reported a loss before transfers of \$144,930 for FY2005 or \$353,413 less than the \$208,483 income reported in FY2004. The General Fund provided an operating transfer of \$450,000 in FY2005 in order to subsidize this loss.



Economic Growth

The City's growth in revenues is mainly attributable to the increase in assessed property values within the City. Other factors include higher median income levels and planned growth which allows proper zoning to protect property values and quality of life.

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



Bond Rating

As a further indication of the strengthening of the City's financial condition, on December 20, 2004, the City was notified that its bond rating from Standard and Poor's was improved from a "BBB+ with a **negative** outlook" to "BBB+ with a **stable** outlook". The City continues to maintain an "investment-grade" rating of BBB+ however the outlook has been upgraded to "stable" based on the improvements achieved in the City's finances. The Administration's ultimate goal is to re-establish an S&P rating of "A"

Long Term Debt

At September 30, 2005, the City had \$12.9 million in long term debt outstanding. This is comprised of \$9.1 million in Revenue Bonds for the water and sewer system and \$3.8 million in General Obligation Bonds for the purchase of the golf course.

General obligation debt is payable through a property tax levy approved by the voters and used for the purchase of the Miami Springs Golf Course and Country Club. . The millage levied in FY2005 was .5079 mills. The General Obligation Bonds mature in February, 2013.

Revenue Bond debt is paid with revenues generated by the water and sewer system. These bonds will mature in September, 2021.

Debt service requirements to maturity for the fiscal year ending September 30, 2005 are summarized as follows:

	<u>Revenue Bonds</u>		<u>General Obligation Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	395,000	440,050	210,000	186,860	605,000	626,910
2007	410,000	422,670	220,000	176,808	630,000	599,478
2008	430,000	404,425	230,000	166,175	660,000	570,600
2009	450,000	385,075	245,000	154,771	695,000	539,846
2010	470,000	364,825	255,000	142,519	725,000	507,344
2011-2015	2,705,000	1,470,290	1,500,000	497,876	4,205,000	1,968,166
2016-2020	3,435,000	720,750	1,110,000	90,365	4,545,000	821,115
2021	<u>795,000</u>	<u>39,750</u>	<u>-</u>	<u>-</u>	<u>795,000</u>	<u>39,750</u>
	9,090,000	4,257,835	3,770,000	1,415,374	12,860,000	5,673,209
Net unamortized Costs	<u>(248,532)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(248,532)</u>	<u>-</u>
Total, net	<u>\$8,841,468</u>	<u>\$4,257,835</u>	<u>\$3,770,000</u>	<u>\$1,415,374</u>	<u>\$12,611,468</u>	<u>\$5,673,209</u>

Other Debt

FDOT Note Payable

On October 1, 2002, the City signed a non-interest bearing promissory note (the "Note") with the Florida Department of Transportation (the "FDOT") in the amount of \$1,239,390 for the cost of relocating water and sewer utility lines located in the FDOT's right of way related to the "Lejeune Flyover Project". Under the terms of the note, the City is required to make 180 monthly payments of \$6,885 beginning on October 2002. However, if the total project costs upon completion are lower or greater than the original amount of the note, a new promissory note would be executed for the final project costs less payments made by the City as of the date of project completion. On February 1, 2005, a new non-interest bearing promissory note was signed by the City in the amount of \$608,428.54. Under the terms of the new note, the City is required to make 151 monthly installments of \$4,002.80 beginning February 1, 2005. Interest was imputed on the note based on the City's borrowing rate which was calculated to be approximately 5%.

Miami-Dade County Loan Payable

During fiscal year 2003, Miami Dade County (the "County") commenced a canal dredging project which was to be paid by various municipalities based on a local match responsibility allocation. During FY 2005, the County updated its cost estimates and the City's responsibility was determined to be \$414,578. Repayment terms were being negotiated with the County. As of September 30, 2005, negotiations were still ongoing for a repayment agreement.

Long Term Financial Plan

During the 2005 fiscal year, Miami Dade County voters approved a bond issue which will provide municipalities within the County with funding for specific projects. The City of Miami Springs is targeted to receive approximately \$1.5 million toward the construction or renovation of the City's gymnasium. The Administration and Council are aggressively seeking additional funding sources in order to construct a recreational complex to replace our aging facilities. The City is also targeted to receive another \$1.5 million for the water and sewer infrastructure. These funds will help reduce the current costs of operating the system as well as reduce the subsidies from the General Fund that have been provided in prior years. This will result in additional funds in the General Fund that may be earmarked for other citywide projects or rebuilding cash reserves.

The City continues to address the infiltration and inflow problems of the sewer system infrastructure. The City has budgeted approximately \$1.5 million in FY 2005-06 for permanent repairs to the system. These repairs will help reduce the operating costs of the system. In addition, the City Council approved significant water, sewer, and sanitation rate increases effective October 1, 2005. These increases, the first in over three years, will help the City not only cover the operating costs of these services but also establish reserves for future renewal and replacement programs.

The City also recognizes the effect on the City's fund balances and reserves from continued operating losses in its golf and country club operation. The City has already contracted with a third party to take over the food and beverage operation with full profit and loss responsibility. The City is now developing various operating models and alternatives that would further reduce operating losses from the golf side of the operation during the next fiscal year and beyond.

Long Term Financial Plan (continued)

In August and October 2005, the City incurred significant damage from Hurricanes Katrina and Wilma. Hurricane Katrina alone cost the City almost \$1.7 million with approximately \$1.25 million being reimbursed by the Federal Emergency Management Agency (FEMA). The City's general fund subsidized the remaining \$450,000 in un-reimbursable expenditures. It is projected that Wilma will cost the City approximately \$900,000 in un-reimbursed expenditures, almost twice as much as Katrina. These losses will have to be subsidized from the City's available fund balance. Since most experts anticipate a few more years of active hurricane seasons, it is imperative that the City budget sufficient contingency funds to meet these potential future losses.

For more information on this report or the City's finances, please call the Finance Department at 305-805-5014