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 2008 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 2008 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and includes financial statements audited by Alberni, Caballero, & Castellanos, 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.

HIGHLIGHTS OF FISCAL YEAR (FY) 2008

During the March 23rd, 2009 Council meeting, the City received excellent news regarding its efforts to reverse the financial difficulties that culminated in the City reporting a deficit fund balance in FY 2002. The City's external auditors, Alberni, Caballero, and Castellanos L.L.P. presented Council with the FY2008 Comprehensive Annual Financial Report which showed a strong increase in the City's unreserved fund balance of the General Fund to $6.5 million. This is even more impressive because the City's unreserved fund balance was a deficit of $300,176 just six years ago. In six years the City has been able to increase its unreserved fund balance by almost $6.2 million while improving the level of services provided to its residents and reducing property tax rates during the same time period.

This turn-around is due in part to the bold decisions of the most recent City of Miami Springs Councils and the current Administration. These decisions have included changes to the business model for the Miami Springs Golf & Country Club as well as capital improvements to the clubhouse and putting greens, and the outsourcing of most grounds maintenance functions to a third party vendor. These changes have resulted in significantly lower funding support from the City's General Fund over the past two years and are a strong indicator that we are on the right path.

For FY 2008, the City's total property tax rate including debt service was 6.7992 and was one of the lowest rates in the past ten years. Further, the total property tax rate for the City has been reduced by 22% from a high of 8.7440 in FY2002 to the aforementioned 6.7992 in FY 2008. The City Council and the Administration also recognize the importance of expanding its commercial tax base for future economic health and to reduce even further the tax burden on residents. To this end both the Council and the Administration have aggressively pursued annexation of primarily commercial properties west of the City. The Administration estimates that additional Ad Valorem revenues will result in a percentage structural change from the present 90%Residential -10%Commercial, to a more favorable 50% Residential - 50% Commercial mix. Due to the added revenue, residents could realize a significant reduction to the millage rate they currently pay.

On September 3rd, 2008, after several years of negotiations with Miami-Dade County, the sale and transfer of the City's water and sewer utility was completed. At the time of the sale the utility was operating at a profit, however long-term costs of approximately $40 million in infrastructure repairs and improvements would have been required within the next 10 years. This could have led to additional rate increases for the residents of the City who were already paying the highest water and sewer rates of any municipality in the County. Under the county's administration, residents are already seeing a net savings on their utility bills.

The City's external auditors also reported that the annual financial condition assessment required by the State of Florida Auditor General showed the City had again achieved a "Favorable" rating for FY2008, a significant change in the City's rating which was "Unfavorable" in FY2002 and FY2003 and "Inconclusive" for FY2004 and FY2005.

More good news was received by Council, when it was reported to them that the sanitation operation posted an operating income before transfers of $307,614. Unlike the previous year, no subsidy was required from the General Fund as the sanitation rate increases approved in October 2007 eliminated the need for such subsidy. The stormwater operation reflected a marginal income before transfers of $5,565. As such, it too required no subsidy from the City's General Fund.

FINANCIAL HIGHLIGHTS

- The assets of the City of Miami Springs exceeded its liabilities at the close of the most recent fiscal year by $25.5 million (net assets). Of this amount, $8.2 million (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.

- The City's total net assets decreased by $58,519 from $25,529,034 in FY2007 to $25,470,515 in FY2008. Although the City realized an increase in net assets from its governmental activities of $1,556,702, the net assets of its business activities fell by $1,615,221. The decrease was mainly attributable to the loss on the sale to Miami-Dade County of certain capital assets of the water and sewer operation.

- During the year, the City had expenses that were $1,556,702 less than the $15.5 million generated in tax and other revenues for governmental programs.

- The business type activities for the City recognized an operating profit before non-operating revenues, expenses, and transfers of $1,228,158. A loss recognized on the sale of the City's water and sewer operation to Miami-Dade County of $1,773,070, coupled with other non-operating revenues, expenses and transfers of $1,070,309, resulted in the loss of $1,615,221.

- Total cost of all of the City's programs increased by $180,869 or 0.8% with no new programs added this year. The increase due to inflation was partially offset by lower cost in the water and sewer operation due to the operation's sale to Miami-Dade County.

- The General Fund's fund balance increased by $1,053,390 for the year ended September 30, 2008; this increase was a result of current year operations.

- At the end of the current year, unreserved (undesignated) fund balance for the General Fund was $4.6 million, or 39% of total general fund expenditures and operating transfers.

- The City's total debt decreased by approximately $6.4 million or 45% (net of principal payments on existing debt). This reduction was due primarily to the Revenue Bonds that were fully defeased as part of the City's sale of the water and sewer operation to Miami-Dade County, $8.0 million, plus $2.5 million in new debt for construction of the City's new community center was also added during the year.

AWARDS

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

- Distinguished Budget Presentation Award for the year beginning October 1st 2008.

- Certificate of Achievement for Excellence in Financial Reporting, FY 2007 Comprehensive Annual Financial Report (CAFR). The FY 2008 CAFR has been submitted for review.

- Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2007. The FY 2008 PAFR has been submitted for review.

Each of these awards is valid for a period of one year only.

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. Country Club and Golf Course Bond).

Enterprise Funds

Enterprise Funds account for activities the City operates similar to private businesses. The City operated three enterprise funds during FY2008: Water & Sewer, Sanitation, and Stormwater.

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

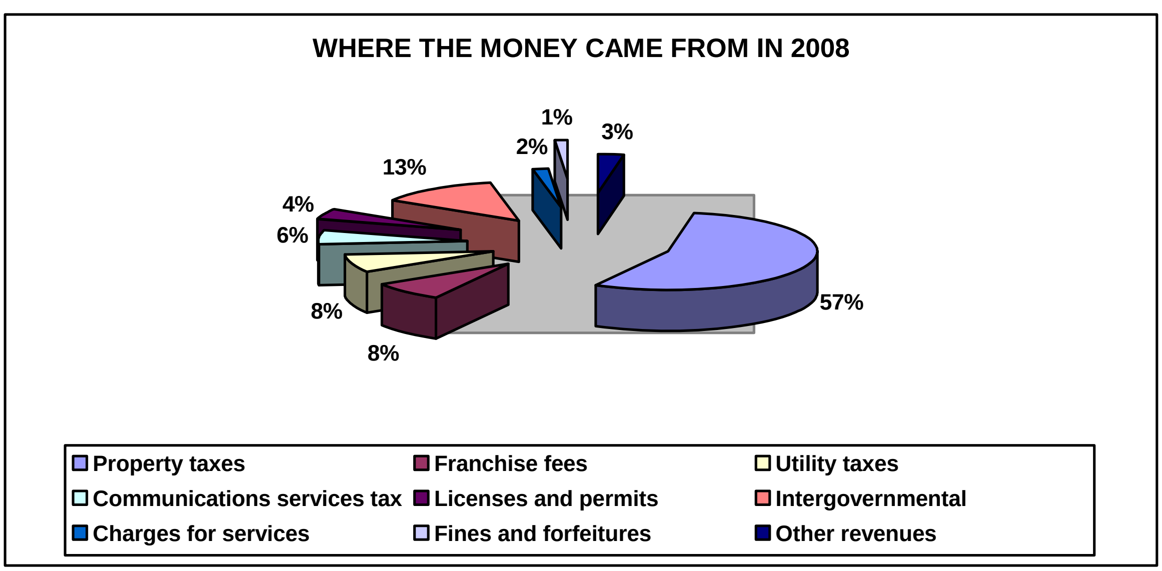
THE GENERAL FUND

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 15% of annual budgeted general fund expenditures as a fund balance. The City has exceeded this goal over the past three years; the unreserved (undesignated) fund balance at September 30, 2008 ($4.6 Million) stood at 39% of expenditures. In addition, Council has designated approximately $1.9 million of fund balance for various future City projects and anticipated hurricane cleanup costs.

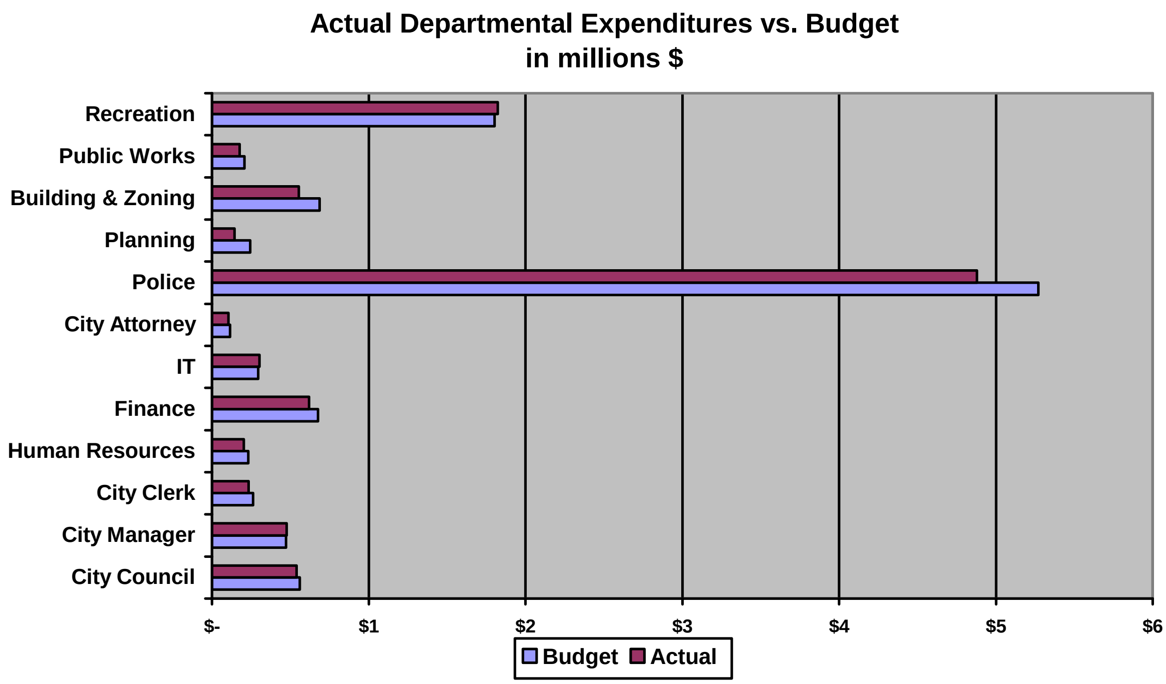
General Fund Revenues

As compared to FY 2007, total General Fund revenues decreased by $247,176 or 1.9% in FY 2008. Property taxes accounted for the bulk of the decrease as a reduction of $299,501 or a 4.2% was caused in part to the lower millage rate of 6.3 mills in 2008 vs. 7.5 mills in 2007. Intergovernmental revenues also decreased, by 3.5%, as the economic downturn began to affect sales tax receipts at year-end. Negative market conditions also impacted investment income which fell by 23% ($55,666) from FY 2007. Partially offsetting these were increase over FY 2007 in various other revenue sources.
A breakdown of the composition of the revenues is provided below:



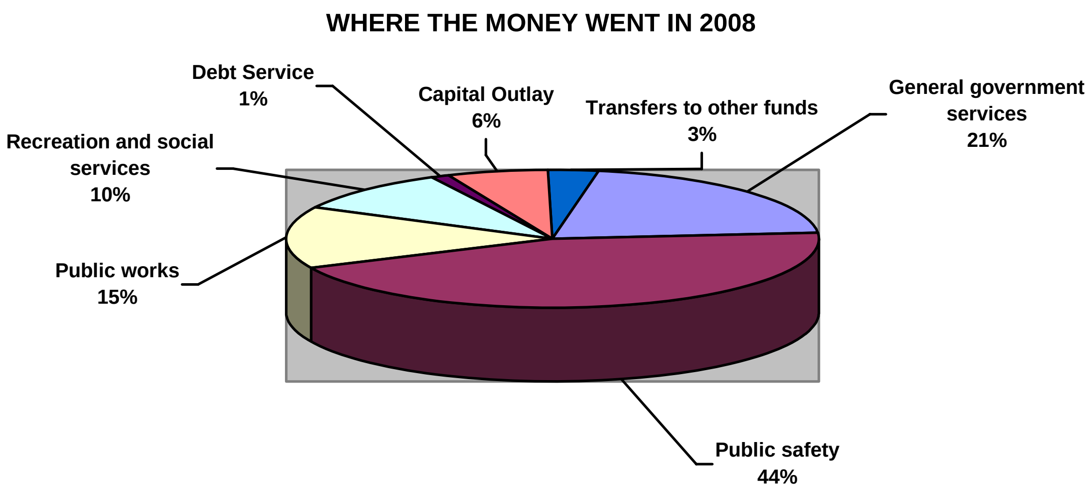
General Fund Expenditures

General Fund expenditures totaled $11.6 million, or $1.4 million under final budget. Expenditures in the General Fund increased by only 1.6% over the previous fiscal year and most 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.



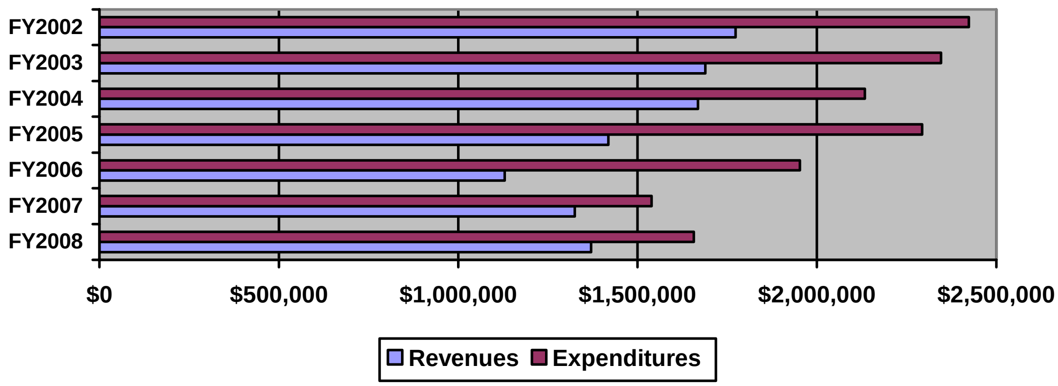
During the year, the General Fund also provided $356,222 in transfers to other funds; the City incurred $214,079 in costs related to the golf course and $142,716 for the senior center.

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



The Country Club and Golf Course Fund

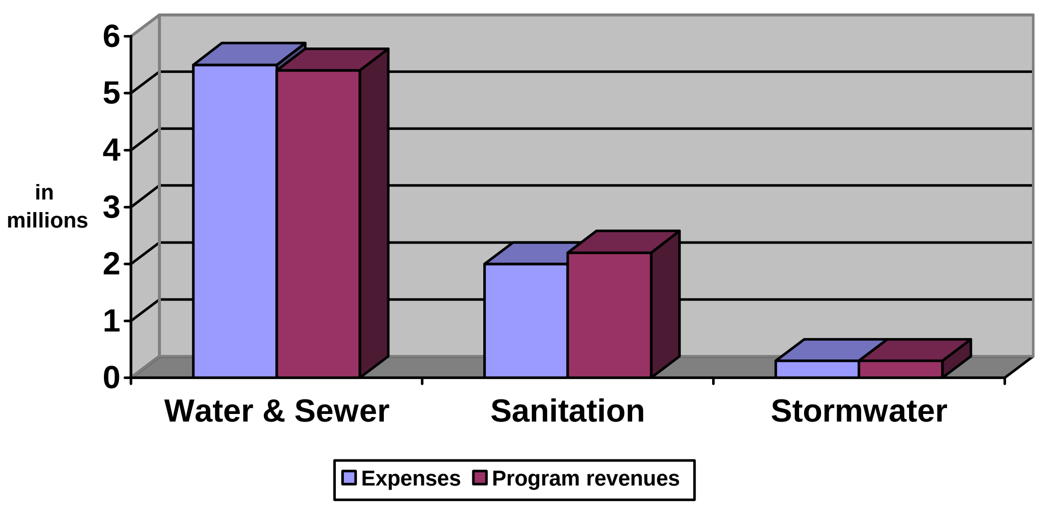
Revenues for the City's golf course operations were $1,370,250 or 3% higher than the $1,324,805 reported in FY2007. The increase in revenues was attributable to the renovation of the greens, the current business model, and enhanced internal controls that were implemented during the prior years. Expenditures for FY2008 were $1,656,127 or 6% higher than the $1,557,909 for FY2007 due primarily to higher grounds maintenance costs. The Fund had a net loss before transfers and after issuance of debt of $199,044 for the fiscal year. This deficit plus the previous negative fund balance, was funded through an operating transfer from the General Fund of $214,079. This brought the fund balance at September 30, 2008 to zero. Although the operation required a General Fund subsidy, it was still one of the lowest subsidies since the city acquired the course in 1997.



Business-type Activities

Revenues of the City's business-type activities decreased 3.6% to $8.0 million, and expenses increased 1.3% to 7.8 million. This excludes an extraordinary loss of $1.8 million on the sale of capital assets when the water & sewer utility was transferred to Miami-Dade County. The Sanitation Fund recorded its first operating income in six years after posting loses totaling $569,842 the prior five years. This turnaround is directly attributable to the increase in sanitation fees approved by Council for FY2008.

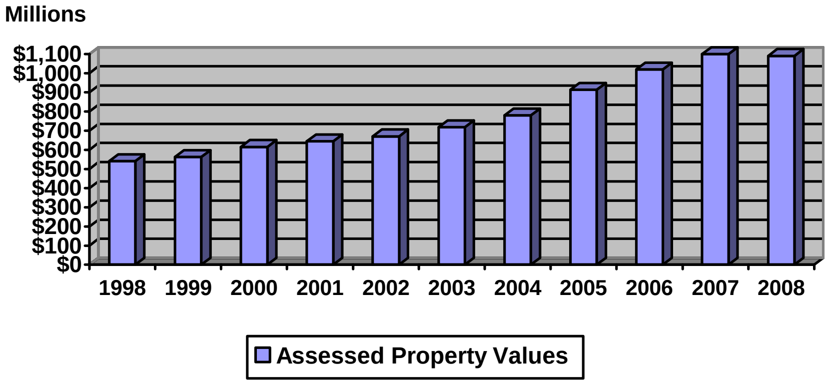
Expenses & Program Revenues-Business-type Activities
For the fiscal Year Ended September 30, 2008



Economic Growth

The City's growth in revenues is mainly attributable to the increase in commercial and residential property values as determined by the Miami-Dade County Property Appraiser. But these annual increases have leveled off and are expected to decline significantly in the near future which could adversely affect the City's revenues at the current millage rate. The City Council and the Administration both recognize the importance of expanding the City's commercial tax base for future economic health and to reduce the tax burden on the residents. As such, the City continues to pursue annexation of primarily commercial properties west of the City that would significantly increase revenues.

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



Bond Rating

As a further indication of the strengthening of the City's financial condition, during January 2008, the City was notified that the outlook on its bond rating from Standard and Poor's was maintained at "BBB+ with a ***positive*** outlook". The City continues to maintain an "investment-grade" rating of BBB+ 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" and that could be achieved when the rating is updated later this year.

Long Term Debt

At September 30, 2008 the City had $5.6 million in long term debt outstanding. This is comprised of $2.5 million in a Revenue Note for the construction of the City's new community center and $3.1 million in General Obligation Bonds for the purchase of the country club and 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 FY2008 was .3579 mills. The General Obligation Bonds mature in February, 2018.

The Revenue Note debt is paid with a pledge of the City's 1/2 – Cent Sales Tax revenues. This debt will mature in September, 2028.

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

	Revenue Note		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ -	$121,800	$245,000	$154,771	$245,000	$276,571
2010	71,688	130,736	255,000	142,519	326,688	273,255
2011	82,439	126,524	270,000	129,458	352,439	255,982
2012	86,563	122,399	285,000	115,511	371,563	237,910
2013-2017	510,157	534,656	1,665,000	332,938	2,175,157	867,594
2018-2022	664,380	380,432	390,000	10,335	1,054,380	390,767
2023-2028	1,084,773	186,417	-	-	1,084,773	186,417
Total, net	$2,500,000	$1,602,964	$3,110,000	$885,532	$5,610,000	$2,488,496

Other Debt

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. On December 20, 2005, the city executed an interlocal agreement with Miami Dade County for the repayment of this debt. Under the terms of this agreement, the note will be repaid by the City in ten annual payments of $41,458 plus interest, commencing December 20, 2006 and ending with a final payment on December 20, 2015. The note bears interest at a variable rate. At September 30, 2008, the rate was 4.51% and the outstanding balance was $331,662.

Capital Improvement Revenue Note

On May 1, 2006, the City executed a $500,000 Capital Improvement Revenue Note with Wachovia Bank. The Note has an interest rate of 4.22%, matures on May 1, 2011, and is collateralized by all legally available non ad-valorem revenues of the City. Proceeds were used for the renovation and improvement of the City's golf course at a cost of $150,000, $200,000 to replace restrooms at the City's parks, and $150,000 for upgrading city hall security. Under the terms of the Note, the City is required to make twenty (20) quarterly payments principal and interest in the amount of $27,861 commencing on August 1, 2006 and ending with the final payment of $27,861 on May 1, 2011. At September 30, 2008, the outstanding balance was $287,272.

Long Term Financial Plan

During the 2005 fiscal year, Miami-Dade County voters approved a bond issue which provides municipalities within the County with funding for specific capital improvement projects. The City of Miami Springs was initially informed that it would receive approximately $1.5 million toward the construction or renovation of the City's gymnasium. During Fiscal Year 2008, the Administration and Council aggressively pursued additional funding for the project and was rewarded with an additional allocation from the bond issue of $2 million towards the construction of an entirely new facility. The City secured the remaining funding for the $6.2 million project via a $2.5 million loan backed by the pledge of future sales tax revenues. Ground breaking on the new facility is scheduled for March 2009.

After hiring a full-time grant writer in FY2008, the City has seen a steady stream of grant awards to-date. The City recognizes that grant funding is a vital part of any program whether operating or capital improvement in nature. Grants awarded in 2008 total more than $244,000 that does not include an additional $287,750 that is still pending approval as of this date. Grant awards secured in 2008 will provide the majority of the funding for needed repairs and improvements currently planned for the City's Senior Center. The City also hired a lobbyist for the first time in 2008 which resulted in a net return of $456,000.

The City Council and the Administration both recognize the importance of expanding its commercial tax base for future economic health and to reduce the tax burden on the residents. To this end, residents of the City will vote on the question of annexation on April 7th, 2009. A city council resolution recommending annexation was a unanimous 5-0 vote for annexation. The Administration estimates that additional Ad Valorem revenues will result in a percentage structural change from the present 90%Residential-10%Commercial to a 50%Residential-50%Commercial. The annexation of primarily commercial properties west of the City would amount to approximately $4.6 million. The additional cost to the City for added services is estimated at $2.3 million. Due to the added revenue, residents could realize a significant reduction to the millage rate they currently pay. The City is also aggressively pursuing the re-development of the NW 36th Street corridor, and the improvement of the downtown district ("the Circle").

In October 2005, the City incurred significant damage from Hurricane Wilma. Hurricane Wilma cost the City almost $4.2 million with approximately $3.5 million being reimbursed by the Federal Emergency Management Agency (FEMA). The City's general fund subsidized the remaining $726,159 in un-reimbursable expenditures. Since most experts anticipate more years of active hurricane seasons, the City intends to maintain, and possibly increase, the fund balance designation it currently maintains to meet future losses.

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