



City of **Miami**
Springs

Popular Annual Financial Report for Fiscal Year ended September 30, 2011



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 2011 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 2011 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and includes financial statements audited by Albarni, Caballero, & Company, 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 2011

During the January 23, 2012 Council meeting, the City received excellent news regarding the city's financial condition. The City's external auditors, Albarni, Caballero, and Company, L.L.P. presented Council with the FY2011 CAFR which showed the City reported a strong unreserved fund balance in the General Fund of \$4.9 million. This is even more impressive because the City's unreserved fund balance was a deficit of \$300,176 just nine years ago. In nine years the City has been able to increase its unreserved fund balance by almost \$5.2 million while improving the level of services provided to its residents and reducing property tax rates during the same time period.

For FY 2011, the City's total property tax rate including debt service was 6.9408 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 21% from a high of 8.7440 in FY2003 to the aforementioned 6.9408 in FY 2011.

During FY 2011 several capital projects were completed, ongoing, and/or commenced; 1) The \$3.5 million renovation of the Curtis Mansion was ongoing; 2) an interior renovation project of the Senior Center was ongoing; and 3) two new bike path lighting projects were completed.

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 been rated as "Inconclusive" for FY2011, a significant change in the City's rating which was "Favorable" in FY2010. The "inconclusive" rating is a result of the City using fund balance during the past two years for infrastructure improvements and to maintain taxes low for our residents.

The Council received good news when it was reported to them that the sanitation operation posted an operating income of \$229,509 for FY2011. As in the prior year, no subsidy was required from the General Fund. This was a result of placing the sanitation bills on the property tax bill which significantly improved our collections as well as the sanitation rate increases approved in October 2007.

Financial Highlights

- The assets of the City of Miami Springs exceeded its liabilities at the close of the most recent fiscal year by \$29.2 million (net assets). \$4.2 million of this (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$709,081, from \$29,939,608 in FY2010 to \$29,230,527 in FY2011. The decrease is attributable to the overall increase of \$133,155 from the City's business-type activities, coupled with a decrease of \$842,236 in net assets of the governmental activities.
- During the year, the City had expenses that were \$1,832,181 higher than the \$15.6 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 \$142,090.
- Total cost of all of the City's programs increased by approximately \$700,000 or 4.5% with no new programs added this year. The increase was due to increases in operating costs.
- The General Fund's fund balance decreased by \$1,396,128 for the fiscal year ended September 30, 2011; this decrease was a result of additional appropriations made by Council during the year which included a General Fund subsidy of \$475,000 to the Curtiss Mansion Project to provide the funds required to complete the current phase of the project, and approximately \$496,000 used to balance the FY2010-11 budget.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$3.7 million, or approximately 27% of total general fund expenditures. The committed fund balance was \$1.1 million which represents future costs

related to parks and recreation, commercial development, elderly services center and hurricane contingency.

- The City's total debt decreased by approximately \$580,836 or 10.1% (net of principal payments on existing debt). This reduction was due primarily to principal payments during the 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). The City of Miami Springs has four special revenue funds, Road & Transportation, Senior Center, Hurricane, 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 bond issues. (E.g. Golf Course and Country Club Bond and the Community Center Bond).
- **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 FY2011: Sanitation and Stormwater. The PAFR will focus on the four funds of most importance to the citizens: the General Fund, Capital Projects Fund, and the Sanitation Fund.

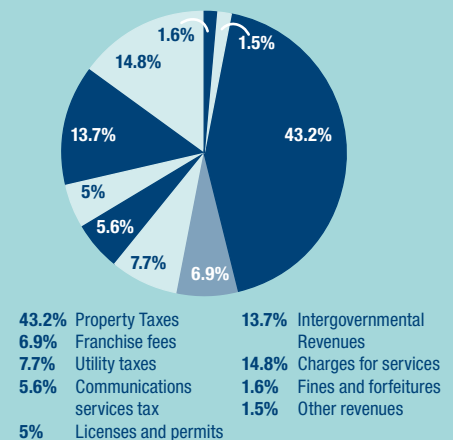
The General Fund

General Fund Revenues

As compared to FY 2010, total General Fund revenues decreased by \$136,036 or 1% in FY 2011. Property taxes and Licenses and permits accounted for the bulk of the decreases as property taxes decreased by \$155,893 or 2.7% was caused in part to the lower assessed valuations in 2011 versus 2010, and Licenses and permits decreased by \$176,584 or 21.6% due to less building activity compared to FY2010. These reductions were offset by increases in various other revenue sources; Intergovernmental revenues increased by 8.3% as revenue sharing State funds increased from the prior year, increased Charges for services provided an increase of 13.7% due to increased activity at the new community center. Negative market conditions impacted investment income which fell by 51,392 (70.9%) from FY 2010.

Where does the money come from?
\$12.9 million Total Revenue

**General Fund Revenues
FY 2011**



Property Taxes (\$5.6 million or 43.2%) Property taxes consist of real and personal property taxes paid by Miami Springs' property owners. The millage rate for FY2011 was 6.9408 or \$6.9408 per \$1,000 of assessed property value. This millage was a 5% increase from the 6.5924

millage assessed in FY2010. This increase was due to the fact that in FY2010 Council voted to give back to residents the \$760,000 surplus from the water and sewer transfer.

Intergovernmental Revenues (\$1.8 million or 13.7%) 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 (\$1.9 million or 14.8%) These revenues consists of charges by the city for services such as recreation, golf, and city hall administrative fees. The increase is due to increased activity at the new community center.

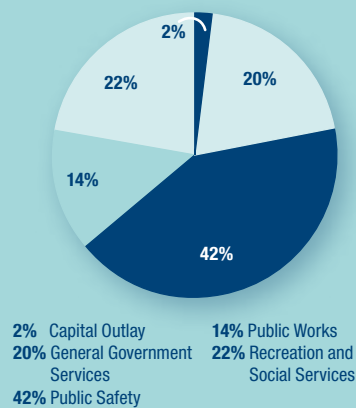
Utility Fees (\$1 million or 7.7%) These revenues consist of payments of the City's 10% utility tax on electricity, water, and gas systems. The largest payments in this category are electricity utility taxes received from Florida Power and Light.

General Fund Expenditures

General Fund expenditures totaled \$13.8 million, or \$553,525 under final budget. Expenditures in the General

Fund increased by 2.6% over the previous fiscal year (the increase was attributable to the increased operating expenses of the new community center) 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.

General Fund Expenditures FY 2011
Where does the money go?
\$13.8 million Total Expenditures



During the year, the General Fund also provided \$914,483 in transfers to other funds; the City incurred \$306,919 to the Debt Service fund, \$475,000 to the Capital Projects fund and \$132,564 for the senior center.

Public Safety (\$5.8 million or 42%)

Expenditures include personnel and operating expenses to maintain the City's police force, building and zoning, and code compliance.

Recreation and social services (\$3.0 million or 22%) Expenditures include personnel and operating expenses to maintain the City's recreation department and the golf course operation.

General Government (\$2.7 million or 20%) Expenditures include personnel and operating expenses of the Council, City Clerk, City

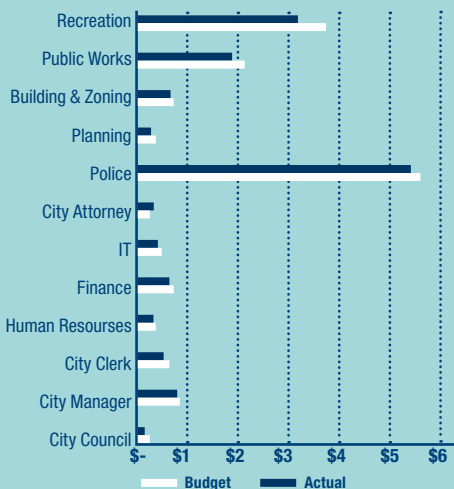
Attorney, City Manager, Finance, Planning, Human Resources and Information Technology.

The Golf Operation was made a part of the Recreation Department within the General Fund for FY2011. 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 FY2011:

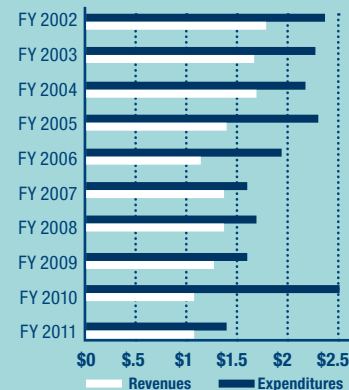
The Country Club and Golf Course Fund

Revenues for the City's golf course operations were \$1,026,769 or 1.4% lower than the \$1,041,140 reported in FY2010. The decrease in revenues was attributable to the economic downturn, however it appears that the significant decreases of the past have stabled. Expenditures for FY2011 were \$1,444,491 or 44% lower than the \$2,588,785 for FY2010 due primarily to the \$1.1 million new irrigation system installed in FY2010. The Golf and Country Club Fund had a net loss before transfers and after issuance of debt of \$417,422 for the fiscal year ended September 30, 2011. This deficit was funded by the General Fund. This brought the fund balance at September 30, 2011 to zero.

Actual Departmental Expenditures vs. Budget
In millions \$



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 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 \$4.9 million, as compared with \$6.3 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 year. The fund balance is separated into two components. Reserved fund balances are set aside to pay for existing commitments such as inventories, prepaid items and open purchase commitments. Unreserved fund balance provide working capital for the City and are used for investment income and future uncertainties.

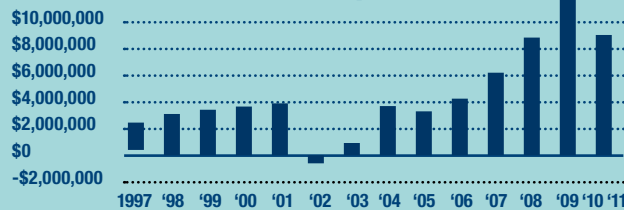
The breakdown of fund balance classifications is as follows:

- Unassigned fund balance was \$3.6 million compared to \$4.2 million in FY2010; decrease was due to using approximately \$500,000 of fund balance this year to balance the FY2011 budget without having to increase the millage rate to our residents.
- Committed was \$1.13 million compared to \$2.06 million in FY2010; decrease is due to some of the designations being used during the current year.
- Non-spendable was \$139,625 compared to \$84,261 last year;

increase is due to the addition of the golf operation inventory to the General Fund this year where in past years the golf operation was its own Special revenue fund.

General Fund Unrestricted Surplus (Deficit)

For the Fiscal Years ended September 30, 1997-2011



Over the past 10 years, the City's unreserved General Fund balance has steadily increased from a deficit of approximately \$300,000 to a surplus of \$4.9 million in FY2011. Our current fund balance of \$4,903,778 represents almost 36% of budgeted expenditures. This is why we have over \$1.1 million in designations primarily for future infra-structure projects and uses. After deducting these designations, the undesignated fund balance is \$3.6 million or about 25% of budgeted expenditures.

Government Finance Officers Association's (GFOA) generally accepted guidelines recommend that a government maintain at least 15-20% of their general fund budgeted expenditures as "reserves", OUR CITY MAINTAINS A MINIMUM RESERVE OF 25%.

Capital Projects Fund

This fund is used to account for the Curtiss Mansion renovation project which is partly funded with Miami-Dade County GOB Bonds. During the year the fund reported revenues of \$1.7 million mainly from grant revenues received, and expenditures of \$1.5 million. The remaining fund balance of \$168,800 was fully appropriated for FY2012 in order to complete the Curtiss Mansion renovation.

Business-type Activities (Sanitation and Stormwater Funds)

For FY 2011, there was an increase of approximately \$416,622 in unrestricted net assets reported in connection with the City's business-type activities. Total net assets of the business-type activities reported an increase of \$133,155 from the prior year. Key elements of this increase were as follows:

- The net income for all business-type activities was \$133,155.

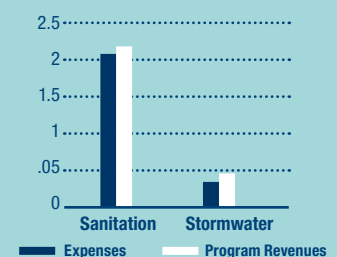
- The sanitation operation posted net income of \$229,509. As was the case last year, this operation was self supporting and did not require a general fund subsidy.
- The stormwater utility operation posted a loss of \$(96,354). This loss was funded with available net assets.

Revenues of the City's business-type activities decreased 0.4% to \$2.6 million and expenses decreased 5.3% to \$2.45 million. Factors contributing to these results included:

- Operating expenses for the business-type activities decreased by \$64,998 or 3.8% from FY2010 mainly due to reduced operating and administrative costs.
- Placing the sanitation bills on the annual property tax bills as well as increased collections efforts on delinquent accounts were imperative in reducing bad debt expense in the sanitation operation.

Expenses & Program Revenues-Business-type Activities

For the Fiscal Years ended September 30, 2011
In millions \$

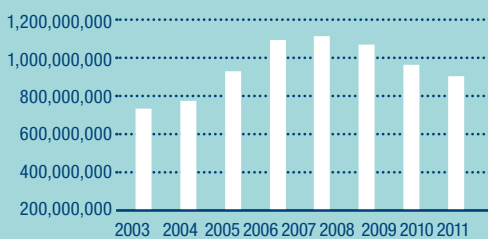


Economic Growth

The City's decrease in ad-valorem tax revenues is mainly attributable to the decrease in commercial and residential property values as determined by the Miami-Dade County Property Appraiser. These annual decreases are expected to level off in the near future which could positively 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 all options for increasing and improving the City's existing downtown business area as well as areas on the NW 36th Street corridor.

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

Taxable Assessed Values



Long Term Debt Capital Improvement Refunding Revenue Note-Series 2010

On September 2, 2010, the City issued the Capital Improvement Refunding Revenue Note Series 2010 in an amount of \$2,435,812 with Suntrust Bank. The proceeds were used to refund the \$2.5 Million Capital Improvement Revenue Note (series 2008) with SunTrust Bank. The refunding note has a fixed interest rate of 3.81%, is payable in monthly installments of \$15,616 and matures on September 30, 2028. The refunding note is payable solely from and secured by the City's ½ cent sales tax revenues. The City achieved a cash flow difference and an economic gain of approximately \$390,000 as a result of the refunding. The balance at September 30, 2011 was \$2,339,279.

Sales Tax Revenue Refunding Note-Series 2010

On November 29, 2010, the City issued the Sales Tax Revenue Refunding Note Series 2010 in an amount of \$2,610,000 with Branch Banking and Trust (BB&T). The proceeds were used to refund the \$5,000,000 of General Obligation Bonds, Series 1997. The refunding note has a fixed interest rate of 2.35% and matures on February 1, 2018. The refunding note is payable solely from and

secured by the City's ½ cent sales tax revenues. The City achieved a cash flow difference and an economic gain of approximately \$327,000 as a result of the refunding. The balance at September 30, 2011 was \$2,344,430.

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, 2011, the rate was 0.916% and the outstanding balance was \$207,288.

Other Debt TD Equipment Lease

On November 12, 2009, the City executed a \$416,647 capital lease with TD Equipment Finance, Inc.

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

	Series 2010 Capital Improvement Refunding Note		Series 2010 Sales Tax Revenue Refunding Note		Total	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2012	98,484	88,917	311,774	51,431	410,258	140,348
2013	102,604	84,796	319,188	44,017	421,793	128,813
2014	106,639	80,762	326,778	36,427	433,417	117,189
2015	110,832	76,569	334,549	28,656	445,381	105,225
2016	114,987	72,413	342,504	20,701	457,492	93,114
2017-2021	647,359	289,644	709,636	16,774	1,356,995	306,418
2022-2026	785,103	151,900	-	-	785,103	151,900
2027-2031	374,551	15,867	-	-	374,551	15,867
Total, net	<u>\$2,340,559</u>	<u>\$860,869</u>	<u>\$2,344,430</u>	<u>\$198,006</u>	<u>\$4,684,989</u>	<u>\$1,058,875</u>



The lease has an interest rate of 2.95%, matures on November 11, 2014, and is collateralized by the equipment purchased under the lease. Approximately \$86,787 was used to purchase two new golf course maintenance mowers and an aerator, \$329,860 was used to purchase a new refuse truck and loader crane for the sanitation operation. Under the terms of the Lease, the City is required to make twenty (20) quarterly payments of principal and interest in the amount of \$22,467 commencing on February 1, 2010 and ending with the final payment of \$22,467 on November 1, 2014. The balance as of September 30, 2011 was \$277,550.

Long Term Financial Plan

The City Council has established a written policy that the unassigned fund balance should be at least 25% of budgeted general fund expenditures (approximately three months of expenditures). This reserve will ensure that the City has available funds in case of any unforeseen emergencies.

The Fiscal Year 2011-12 budget also provides for the cost of downtown revitalization studies that will lead to the commercial development of the City's tax base, it also provides for the completion of the Curtiss

Mansion renovation which will become a focal point for aviation training, seminars, and social events.

Awards

The City received the following awards from the Government Finance Officers Association (GFOA): Distinguished Budget Presentation Award for the year beginning October 1st 2011.

Certificate of Achievement for Excellence in Financial Reporting, FY 2010 Comprehensive Annual Financial Report (CAFR). The FY 2011 CAFR has been submitted for review.

Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2010. The FY 2011 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 305-805-5014.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

**City of Miami Springs
Florida**

for the Fiscal Year Ended

September 30, 2010



Linda C. Davidson
President
Jeffrey L. Eaves
Executive Director





City of Miami Springs
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Miami Springs, Florida 33166

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