



City of Miami Springs

Popular Annual Financial Report for Fiscal Year ended September 30, 2012



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 2012 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 2012 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 Alberni, 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.



During the January 28, 2013 Council meeting, the City received excellent news regarding the city's financial condition. The City's external auditors, Alberni, Caballero, and Company, L.L.P. presented the City Council with the FY2012 CAFR which showed the City reported a strong unreserved fund balance in the General Fund of \$4.4 million. This is even more impressive because the City's unreserved fund balance was a deficit of \$300,176 just ten years ago. In ten years, the City has been able to increase its unreserved fund balance by almost \$4.7 million while improving the level of services provided to its residents while at the same time

and reducing property tax rates. For FY 2012, the City's total property tax rate was 6.7400 and was one of the lowest rates in the past eleven years. Further, the total property tax rate for the City has been reduced by 20% from a high of 8.7440 in FY2003 to the aforementioned 6.7400 in FY 2012.

During FY 2012 several capital projects were completed; 1) The \$3.5 million renovation of the Curtiss Mansion; 2) an interior project of the Senior Center; and 3) the exterior painting of the City Hall building.

The City's external auditors also reported that the annual financial

condition assessment required by the State of Florida Auditor General showed the City rated as "Inconclusive" for FY2012. This was the same rating received in FY2011. The "inconclusive" rating is a result of the City using its unreserved fund balance during the past three years for planned infrastructure improvements and to lower taxes for our residents.



Financial Highlights

» The assets of the City of Miami Springs exceeded its liabilities at the close of the most recent fiscal year by \$27.7 million (net assets). \$3.8 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 \$1,544,875, from \$29,230,526 in FY2011 to \$27,685,650 in FY2012. The decrease was attributable to the overall decrease of \$232,145 from the City's business-type activities, coupled with a decrease of \$1,312,731 in net assets of the governmental activities.

» During the year, the City had expenses that were \$1,133,942 higher than the \$14.8 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 \$226,368.

» Total cost of all of the City's programs decreased by approximately \$387,000 or 2.4% with no new programs added this year. The decrease was due to decreases in payroll and operating costs.

» The General Fund's fund balance decreased by \$509,313 for the fiscal year ending September 30, 2012; this decrease was a result of additional appropriations made by Council during the year which included a General Fund subsidy of \$105,000 to the Curtiss Mansion Project to provide the working capital funds required to commence operations.

» At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$3.4 million, or approximately 25% of total general fund expenditures. The committed fund balance was \$847,422 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 \$535,812 or 10.4% (net of principal payments on existing debt). This reduction was due primarily to principal payments during the year.

» As part of the historic tax credit transaction, the City contributed the Curtiss Mansion property to Miami Springs Properties, Inc., which is wholly owned by the City. The book value of the property, including land and improvements, was \$4,555,133 and is shown in the Statement of Net Assets as "Investment in MS Properties, Inc.".

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 notes. (E.g. Golf Course and Country Club Note and the Community Center Note). 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 FY2012: 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

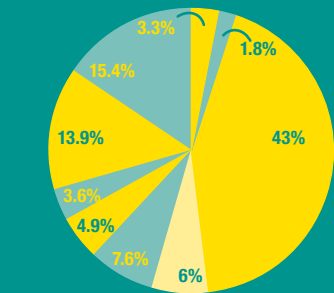
General Fund Revenues

As compared to FY 2011, total General Fund revenues increased by \$696,153 or 5.4% in FY 2012. Property taxes, Fines and forfeitures, and Charges for services accounted for the bulk of the increases. Property taxes increased by \$235,025 or 4.2% due in part to higher assessed valuations in FY2012 versus FY2011. Fines and forfeitures increased by \$246,345 or 117.8% due to the red light cameras in the city during FY2012. Charges for services increased by \$193,018 or 10.1% due to increased revenues from the community center and golf course operations. These increases were offset by decreases in various other revenue sources; License and permits decreased by \$152,839 or 23.8% due to decreased building activity during FY2012.



Where does the money come from?
\$13.6 million Total Revenue:

General Fund Revenues FY 2012



43%	Property Taxes	13.9%	Intergovernmental Revenues
6%	Franchise fees	15.4%	Charges for services
7.6%	Utility taxes	3.3%	Fines and forfeitures
5.6%	Communications services tax	1.8%	Other revenues
3.6A%	Licenses and permits		

Property Taxes (\$5.8 million or 43%) - Property taxes consist of real and personal property taxes paid by Miami Springs property owners. The millage rate for FY2012 was 6.7400 or \$6.7400 per \$1,000 of assessed property value. This millage was a 4.2% increase from the 6.4710 millage assessed in FY2011.

Intergovernmental Revenues (\$1.9 million or 13.9%) - 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 (\$2.1 million or 15.4%) - 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.

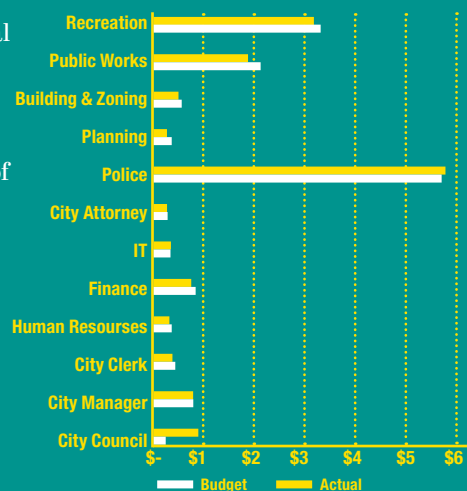
Utility Fees (\$1 million or 7.6%) - These revenues consist of payments to the City of its 10% utility tax on electricity, water, and gas systems. The largest payments in this category are electricity utility taxes received from Florida Power and Light.

General Fund Expenditures

General Fund expenditures totaled \$14 million, or \$140,554 under final budget. Expenditures in the General Fund increased by 1.4% over the previous fiscal year (the increase was attributable to the increases in pension and workmen's compensation costs) 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.

Actual Departmental Expenditures vs. Budget

in Millions \$

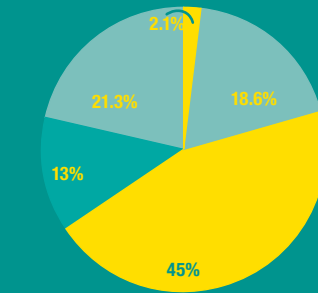


During the year, the General Fund also provided \$662,478 in transfers to other funds; the City transferred \$519,478 to the Debt Service fund and \$123,326 for the senior center.



Where does the money go? \$14 million Total Expenditures:

General Fund Expenditures FY 2012



2.1%	Capital Outlay	13%	Public Works
18.6%	General Government Services	21.3%	Recreation and Social Services
45%	Public Safety		

Public Safety (\$6.3 million or 45%) - Expenditures include personnel and operating expenses to maintain the City's police force, building and zoning, and code compliance.

Recreation (\$3 million or 21.3%) - Expenditures include personnel and operating expenses to maintain the City's recreation department and the golf course operation.

General Government (\$2.6 million or 18.6%) - 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 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 FY2012:

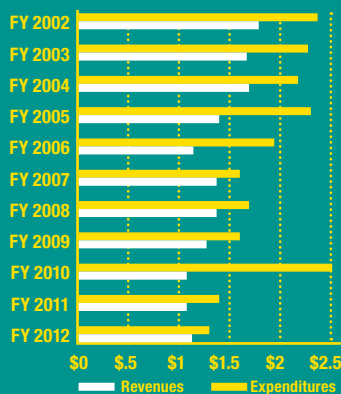
The Golf Course Operation

Revenues for the City's golf course operations were \$1,074,920 or 4.7% higher than the \$1,026,769 reported in FY2011. The increase in revenues

was attributable to the economic recovery being experienced. Expenditures for FY2012 were \$1,361,376 or 5.7% lower than the \$1,444,491 for FY2011. The Golf and Country Club Fund had a net loss before transfers of \$286,456 for the fiscal year ended September 30, 2012. This 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 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 \$4.4 million, as compared with \$4.9 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. Unas-

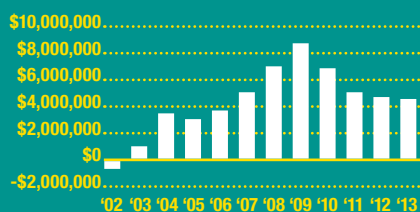
signed fund balance provides working capital for the City and is used for all other spendable purposes including infrastructure improvements, and future uncertainties.

The breakdown of fund balance classifications is as follows:

- Unassigned fund balance was \$3.4 million compared to \$3.6 million in FY2011; the decrease was due to using approximately \$200,000 of fund balance this year to balance the FY2012 budget without having to increase the millage rate to our residents.
- Committed was \$847,422 million compared to \$1.13 million in FY2011; the decrease was due to some of the commitments being used during the current year.
- Non-spendable was \$135,960 compared to \$139,625 last year.

General Fund Unrestricted Surplus (Deficit)

For the Fiscal Years ended
September 30, 2002-2012



Over the past 10 years, the City's unreserved General Fund balance has steadily increased from a deficit of approximately \$200,000 to a surplus of \$4.4 million in FY2012. Our current fund balance of \$4,394,465 represents almost 31% of budgeted expenditures. This is why we have over \$847,422 in designations primarily for future infrastructure projects and uses. After deducting these designations, the undesignated fund balance is \$3.4 million or about 25% of budgeted expenditures. Government Finance Officers Association's (GFOA) generally accepted guidelines recommends that a government maintain at least 15-20% of their general fund bud-

geted 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 2012, there was an increase of approximately \$18,925 in unrestricted net assets reported in connection with the City's business-type activities. Total net assets of the business-type activities reported a decrease of \$232,145 from the prior year. Key elements of this decrease were as follows:

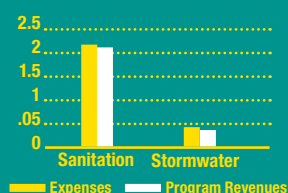
- The operating loss for all business-type activities was \$226,368.
- The sanitation operation posted an operating loss of \$110,587. As was the case last year, this operation was self supporting and did not require a general fund subsidy.
- The stormwater utility operation posted a loss of \$115,780. This loss was funded with available net assets.

Revenues from the City's business-type activities decreased 7.7% to \$2.4 million and expenses increased 9% to \$2.67 million. Factors contributing to these results included:

- Operating expenses for the business-type activities increased by \$220,241 or 9% from FY2011 mainly due to increased operating, dumping, and administrative costs.
- Sanitation fees have not been increased in over three years while operating costs have significantly increased during the same period.

Expenses & Program Revenues-Business-type Activities

For the Fiscal Years ended September 30, 2012
in millions \$



Economic Growth

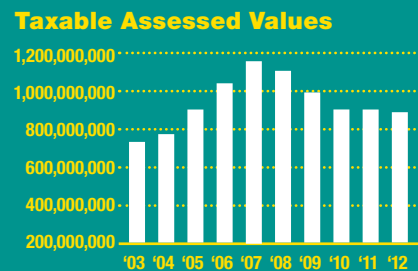
During the past few years, various State tax initiatives have been passed in order to lower property taxes throughout the State. For the City of Miami Springs, the actual property taxes levied in 2012 are approximately the same as those levied 2011.

However, property values for 2012 were \$866,561,388 or a decrease of approximately \$6.1 million or 0.7% from the \$872,664,184 in final taxable value for the prior fiscal year. This is an indication that the decreases in property values have not yet started to level off.

In addition to the future of assessed valuations discussed above, the City faces other challenges for the Fiscal Year 2012-2013 budget. First, the continued overall economic downturn will have a negative impact on revenues at the City's golf course. This will probably require continued general fund subsidies similar, although not as high, as the \$286,456 required for Fiscal Year 2012. Second, in Fiscal Year 2012 the City's two pension boards received a recommendation, which they voted to accept, from the City's actuaries that certain pension assumptions should be changed during the next five years. These changes, along with the investment losses of prior years, have resulted in a significant increase in pension contributions for the City. For the first time in the City's history, the pension contributions for Fiscal Year 2012-2013 will exceed \$1 million dollars. In order to address increasing pension costs, the City has hired a pension attorney to assist in developing pension alternatives that will hopefully decrease future pension costs. The Administration's efforts in prior years to increase the City's reserves have provided the City with an adequate reserve fund that will

be used to fund the various future infrastructure projects that our aging city will require. The City continues to concentrate efforts on reducing expenditures and/or increasing efficiencies in order to meet the challenges described above. The City has outsourced some operations for FY2012-2013 that resulted in cost reductions for the next fiscal year.

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



Long Term Debt Capital Improvement Refunding Revenue Note-Series 2010 (nontaxable)

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 one-half (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 on September 30, 2012 was \$2,239,271.

Sales Tax Revenue Refunding Note-Series 2010 (nontaxable)

On November 29, 2010, the City issued 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 outstanding \$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 one-half (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 on September 30, 2012 was \$2,032,656.

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. On September 30, 2012, the rate was 0.586% and the outstanding balance was \$165,830.

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
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	119,711	67,690	350,649	12,556	470,360	80,246
2018-2022	672,814	264,190	358,987	4,218	1,031,801	268,408
2023-2027	815,974	121,030	-	-	815,974	121,030
2028-2032	195,711	4,503	-	-	195,711	4,503
Total, net	<u>\$2,239,271</u>	<u>\$771,952</u>	<u>\$2,032,656</u>	<u>\$146,575</u>	<u>\$4,271,927</u>	<u>\$918,527</u>

Other Debt

TD Equipment Lease

On November 12, 2009, the City executed a \$416,647 capital lease with TD Equipment Finance, Inc. 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, 2012 was \$194,978.



Long Term Financial Plan

The City Council has established a written policy that the unassigned fund balance should be equal to 25% of the operating expenditures and transfers out budgeted for the General fund in the subsequent year. This reserve will ensure that the City has available funds in case of any unforeseen emergencies.

The City is pursuing grant and other funding opportunities to provide needed infrastructure improvements to the City, including funding for a Westward Drive median bike path project, new water park complex, City parking lot at the Curtiss Mansion site, and other public works projects. The 2012-2013 budget provides for the cost of the completion of the Curtiss Mansion renovation which will become a focal point for aviation training, seminars, and social events. The City is also developing pension plan alternatives in order to reduce the increasing pension costs which are rapidly becoming a burden to the City's taxpayers.

Awards

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

Distinguished Budget Presentation Award for the year beginning October 1st 2012.

Certificate of Achievement for Excellence in Financial Reporting, FY 2011 Comprehensive Annual Financial Report (CAFR). The FY 2012 CAFR has been submitted for review.

Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2010. The FY 2012 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
please provide new certificate
 PRESENTED TO
 City of Maitland Springs
 Florida
 for the Fiscal Year Ended
 September 30, 2012



David L. Anderson
 President
Jeffrey L. Lane
 President



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