

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 2009 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 2009 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, & 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) 2009

During the January 11, 2010 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 Council with the FY2009 CAFR which showed a strong increase in the City's unreserved fund balance of the General Fund to \$8.4 million. This is even more impressive because the City's unreserved fund balance was a deficit of \$300,176 just seven years ago. In seven years the City has been able to increase its unreserved fund balance by almost \$8.7 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 and food & beverage operations to third party vendors. These changes have resulted in significantly lower funding support from the City's General Fund over the past three years and are a strong indicator that we are on the right path. Other changes that have resulted in significant reductions of expenditures are the outsourcing of vehicle maintenance and tennis operations, and the reduction in staffing through attrition.

For FY 2009, 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 2009. 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, taxpayers could realize a significant reduction to the millage rate they currently pay.

During FY 2009 several capital projects were undertaken; 1) Construction commenced on the \$6.3 million community center; 2) The \$2 million renovation of the Curtis Mansion was started; and 3) an interior renovation project of the Senior Center was 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 again achieved a "Favorable" rating for FY2009, 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 \$234,055. As in the prior year, no subsidy was required from the General Fund as the sanitation rate increases approved in October 2007 eliminated the need for such subsidy.

FINANCIAL HIGHLIGHTS

- The assets of the City of Miami Springs exceeded its liabilities at the close of the most recent fiscal year by \$27.56 million (net assets). \$7.8 million of this (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,086,794, from \$25,470,515 in FY2008 to \$27,557,309 in FY2009. The increase is attributable to the overall loss of \$641,679 from the City's business-type activities, coupled with an increase of \$2,728,473 in net assets of the government activities. The loss in the City's business-type activities was due to the closing of the water and sewer fund since that operation was transferred to Miami-Dade County on September 3, 2008.
- During the year, the City had expenses that were \$177,570 higher than the \$17.4 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 \$155,460. A \$710,533 transfer out in order to close the water and sewer fund resulted in a year end loss of \$641,679 for all business type activities.
- Total cost of all of the City's programs decreased by approximately \$3.9 million or 17.9% with no new programs added this year. The decrease was due to the water and sewer operation being transferred to Miami-Dade County.
- The General Fund's fund balance increased by \$1,756,925 for the fiscal year ended September 30, 2009; this increase was a result of current year operations as well as a \$710,533 transfer in from the closing of the water and sewer fund and a \$593,037 transfer in from the Hurricane Fund which represents additional FEMA reimbursements for prior year storms.
- At the end of the current year, the unassigned fund balance for the General Fund was approximately \$6.1 million, or approximately 50% of total general fund expenditures and operating transfers. The committed fund balance was \$2.2 million which represents future costs related to parks and recreation, senior center and hurricane contingency.
- The City's total debt decreased by approximately \$500,000 or 7.7% (net of principal payments on existing debt). This reduction was due primarily to principal payments 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 2009.
- Certificate of Achievement for Excellence in Financial Reporting, FY 2008 Comprehensive Annual Financial Report (CAFR). The FY 2009 CAFR has been submitted for review.
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2008. The FY 2009 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). The City of Miami Springs has seven special revenue funds, Road & Transportation, Golf and Country Club, Senior Center, Grants Fund, Police Grants Fund, Hurricane Fund, 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 ad-valorem taxes pledged specifically to repay certain outstanding bond issues. (E.g. Golf Course and Country Club 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 FY2009: Sanitation and Stormwater.

The PAFR will focus on the four funds of most importance to the citizens: the General Fund, Golf Course and Country Club Fund, Capital Projects Fund, and the Sanitation Fund.

THE GENERAL FUND

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 \$8.42 million, as compared with \$6.67 million in the prior year.

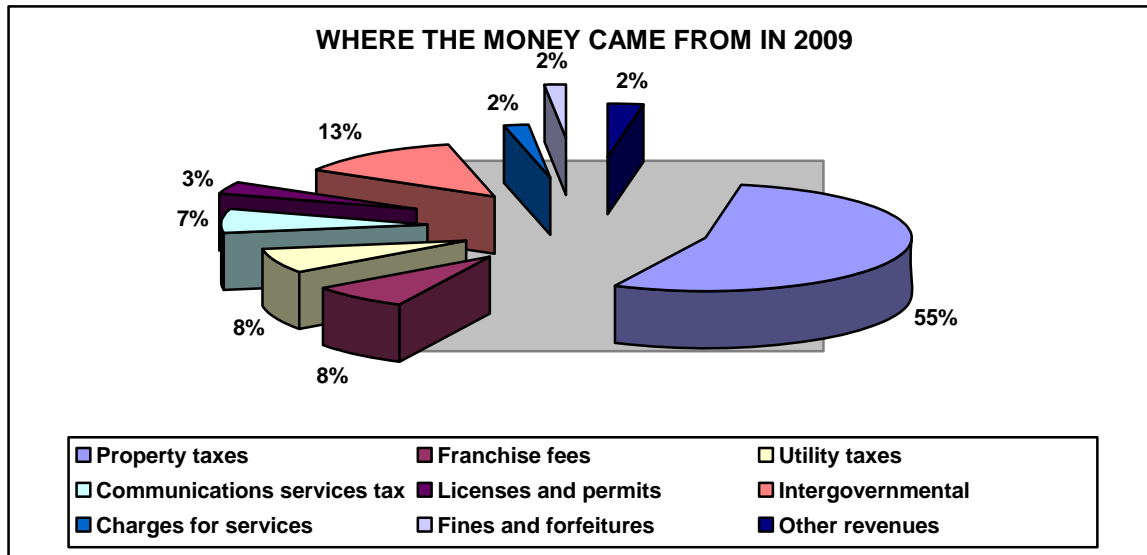
The breakdown of fund balance classifications is as follows:

- Unassigned fund balance was \$6.08 million compared to \$4.61 million in FY2008; increase was due to the surplus reported in current year activity.
- Committed was \$2.24 million compared to \$1.86 million in FY2008; increase is due to additional funds being committed for pool improvements and downtown commercial improvements.
- Non-spendable was \$102,918 compared to \$197,581 last year; decrease is due to encumbrances not being reported in the current year.

General Fund Revenues

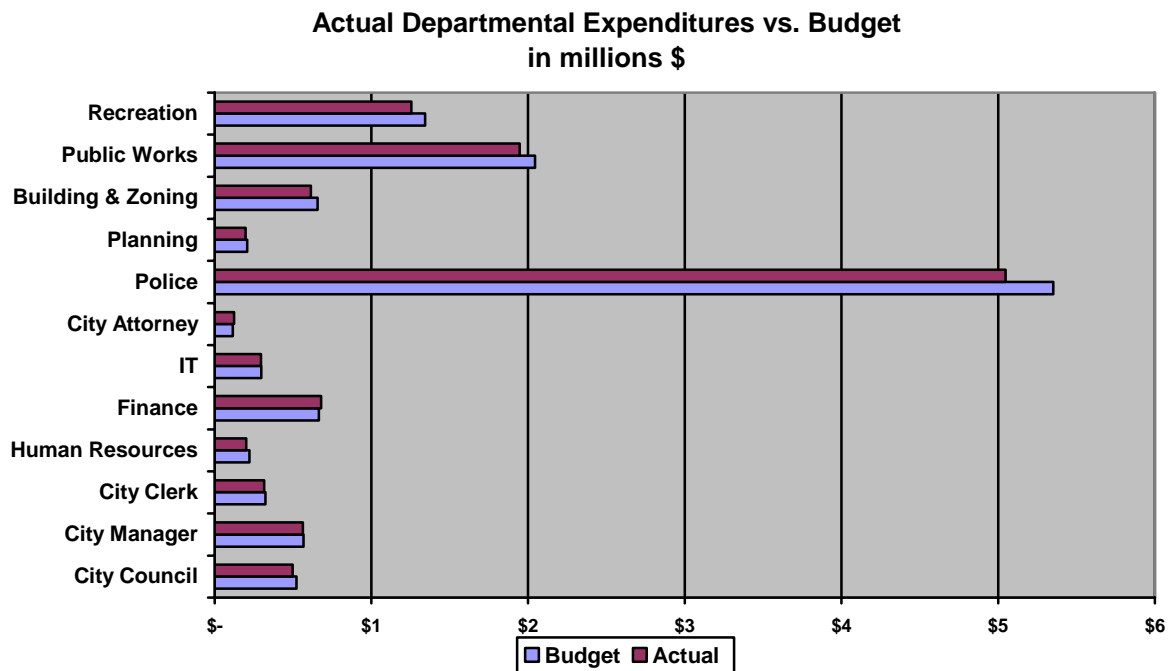
As compared to FY 2008, total General Fund revenues decreased by \$101,742 or 0.8% in FY 2009. Property taxes accounted for the bulk of the decrease as a reduction of \$121,008 or 1.8% was caused in part to the lower assessed valuations in 2009 versus 2008. Intergovernmental revenues also decreased, by 4.3%, as the economic downturn began to affect sales tax receipts at year-end. Negative market conditions also impacted investment income which fell by 45% (\$83,242) from FY 2008. Partially offsetting these revenue decreases were increases over FY 2008 in various other revenue sources.

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



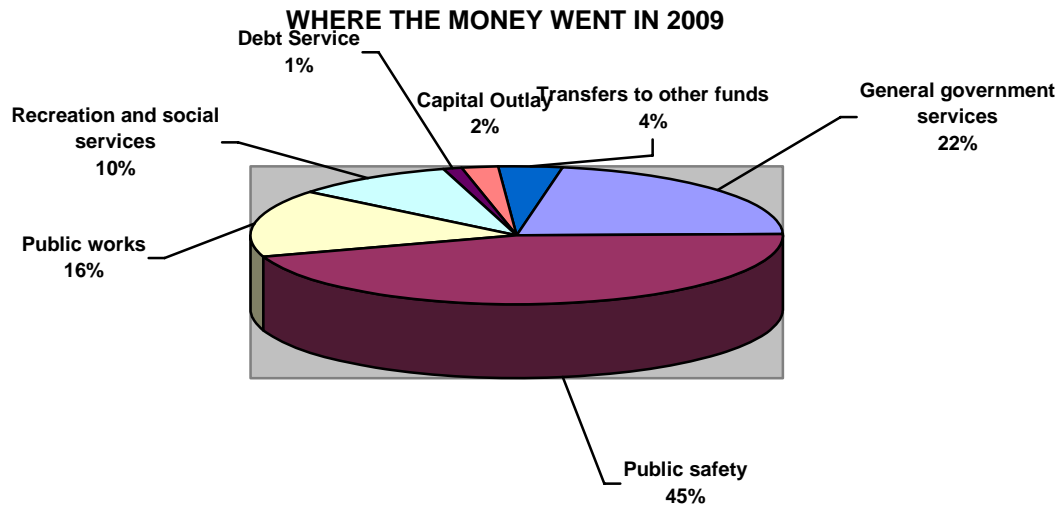
General Fund Expenditures

General Fund expenditures totaled \$11.6 million, or \$765,526 under final budget. Expenditures in the General Fund increased by only 0.2% 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.



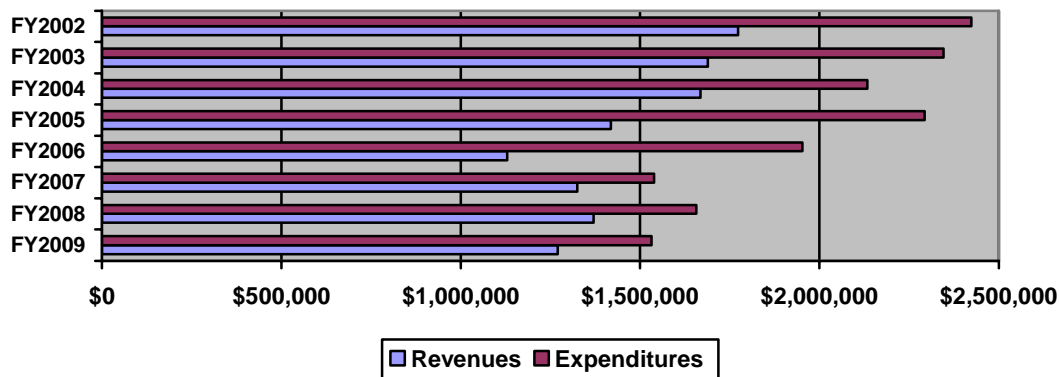
During the year, the General Fund also provided \$403,667 in transfers to other funds; the City incurred \$260,954 in costs related to the golf course and \$142,713 for the senior center.

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 \$1,270,912 or 7% lower than the \$1,370,250 reported in FY2008. The decrease in revenues was attributable to the economic downturn which significantly reduced rounds played and membership revenues. Expenditures for FY2009 were \$1,531,866 or 8% lower than the \$1,656,127 for FY2008 due primarily to reduced operating costs for the pro shop and maintenance operations. The Fund had a net loss before transfers of \$260,954 for the fiscal year. This deficit was funded through an operating transfer from the General Fund of \$260,954. This brought the fund balance at September 30, 2009 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.



Capital Projects Fund

This fund is used to account for the Curtiss Mansion renovation project and the community center construction project, which are both partly funded with Miami-Dade County GOB Bonds. During the year the fund reported revenues of \$2.56 million mainly from grant revenues received, and expenditures of \$2.88 million. The fund balance decreased by \$286,646 from \$2,477,837 to \$2,209,191.

Business-type Activities (Sanitation and Stormwater Funds)

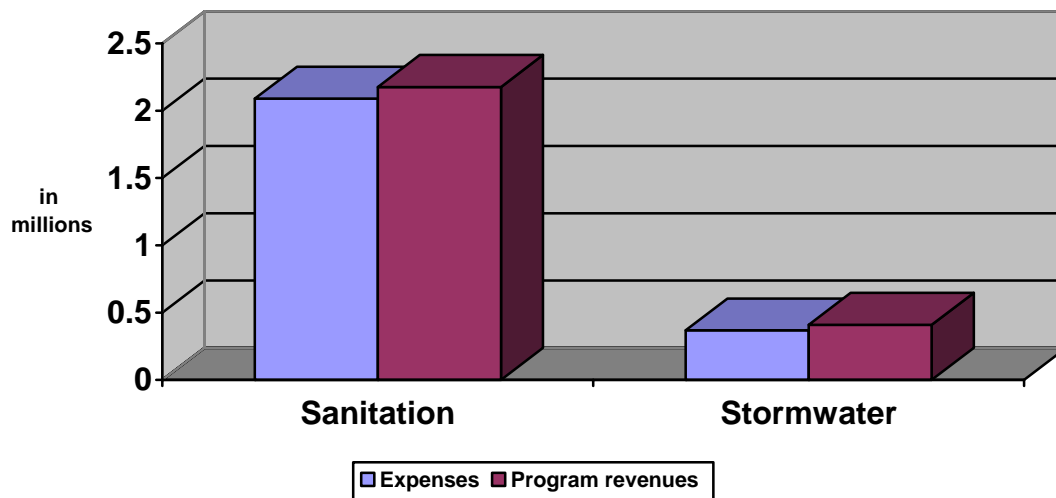
For FY 2009, there was a decrease of approximately \$800,000 in unrestricted net assets reported in connection with the City's business-type activities. Total net assets of the business-type activities reported a decrease of \$600,000 from the prior year. Key elements of this decrease are as follows:

- The water and sewer fund was closed and \$710,533 was transferred out to the general fund.
- The operating profit before transfers for all business-type activities was \$256,390.
- The sanitation operation posted operating income before transfers of \$234,055. As was the case last year, this operation was self supporting and did not require a general fund subsidy.
- The stormwater utility operation reflected marginal income before transfers of \$22,335. As such, it too required no subsidy from the City's general fund.

Revenues of the City's business-type activities decreased 67.5% to \$2.6 million and expenses decreased 68% to \$2.5 million (see Table 2). Factors contributing to these results included:

- The Water and Sewer operation was transferred to Miami-Dade County in FY2008.
- Operating expenses for the business-type activities decreased by \$225,643 or 9% from FY2008 mainly due to reduced operating and administrative costs.

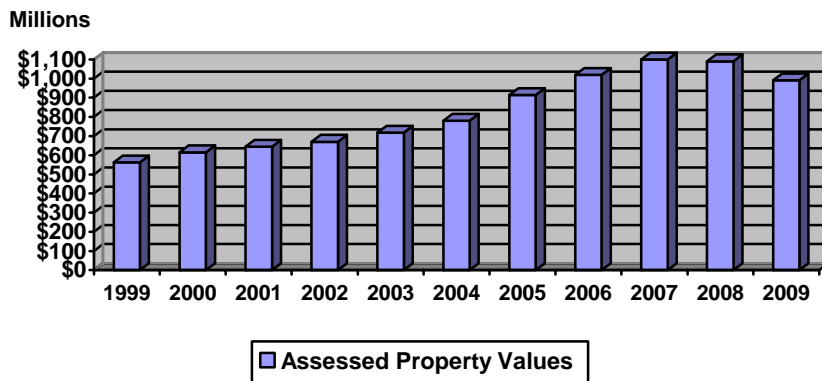
Expenses & Program Revenues-Business-type Activities
For the fiscal Year Ended September 30, 2009



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, 2009 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 FY2009 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:

	<u>Revenue Note</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>
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	91,603	117,359	300,000	100,665	391,603	218,024
2014	96,571	112,392	315,000	84,558	411,571	197,059
2015-2019	566,986	477,826	1,440,000	157,940	2,006,986	635,766
2020-2024	738,261	306,551	-	-	738,261	306,551
2025-2029	765,889	87,376	-	-	765,889	87,376
Total, net	<u>\$2,500,000</u>	<u>\$1,481,164</u>	<u>\$2,865,000</u>	<u>\$730,760</u>	<u>\$5,365,000</u>	<u>\$2,211,924</u>

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, 2009, the rate was 4.51% and the outstanding balance was \$290,204.

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, 2009, the outstanding balance was \$186,395.

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.

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 Community Center. The City secured the remaining funding for the \$6.2 million project through a \$2.5 million bank loan backed by the pledge of future sales tax revenues. The facility should be completed during the second quarter of FY2010. In addition to the new community center construction funding, Miami-Dade County also awarded the City \$1 million towards the renovation of the historic Curtiss Mansion. This funding, combined with a \$1 million grant from the Florida Department of Transportation, will ensure that the City is well on its way to its ultimate goal of converting the mansion into a historical museum and meeting center site.

The Fiscal Year 2009-10 budget also provides for the expansion of recreational activities through the development of a new skateboard park for the youth in the community, providing for \$900,000 of the \$1.2 to \$1.5 million new irrigation system for the City's greatest asset, the Miami Springs Golf and Country Club, and for the completion of various bike path lighting projects in the City.

After hiring a full-time grant writer in FY2008, the City has been awarded a steady stream of grant funding. The City recognizes that grant funding is a vital part of any program whether used operationally or for capital improvements. Grant awards secured in FY2008-2009 will provide the majority of the funding needed for the repairs and improvements currently planned for the City's Senior Center. Grants awarded in 2009 totaled more than \$591,785.

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