

2013

POPULAR ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2013



CITY OF MIAMI
FLORIDA



POPULAR ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED SEPTEMBER 30, 2013

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City of Miami, Florida

Popular Annual Financial Report For the Fiscal Year Ended September 30, 2013

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PURPOSE OF THE REPORT

The Popular Annual Financial Report (PAFR) is an unaudited summary report of the financial activities of the City and is prepared primarily from detailed information contained in the City's 2013 Comprehensive Annual Financial Report (CAFR), with selected information from CAFRs prepared for earlier years.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and includes audited financial statements. As such, it provides much more detail as well as full disclosure of all material events, both financial and non-financial. The GAAP presentation also includes the City's component units (related organizations) and information on individual funds.

The information in the CAFR by its nature can be technical and complex and as such not as useful to citizens wishing to gain an overview of the City's finances. The PAFR has been prepared to simplify the information in the CAFR and better inform the public about the overall financial condition of the City, without the heavy use of technical accounting terms or excessive detail. The PAFR is not intended to provide a complete financial picture of the City in accordance with GAAP.

Questions or feedback concerning any of the information provided in this report or requests for additional financial information may be directed to the City's Finance Department via mail to 444 SW 2nd Avenue, 6th Floor, Miami, Florida 33130.

Copies of both the PAFR and CAFR
are available online at:
<http://miamigov.com/Finance>
under the Financial Information
Section.



AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) has given an award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Miami, Florida for its Popular Annual Financial Report for the fiscal year ended September 30, 2013. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

The City of Miami, Florida was also awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its comprehensive annual financial report for year ended September 30, 2012. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is also valid for a period of one year only. We believe our comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and we have also submitted our comprehensive annual financial report for the current year to the GFOA.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Miami
Florida**

For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO



City of Miami Principal Officials

September 30, 2013

MAYOR

Tomás P. Regalado

CITY COMMISSION

Marc D. Sarnoff, Chairman

Wifredo (Willy) Gort, Vice – Chairman

Frank Carollo, Commissioner

Michelle Spence-Jones, Commissioner

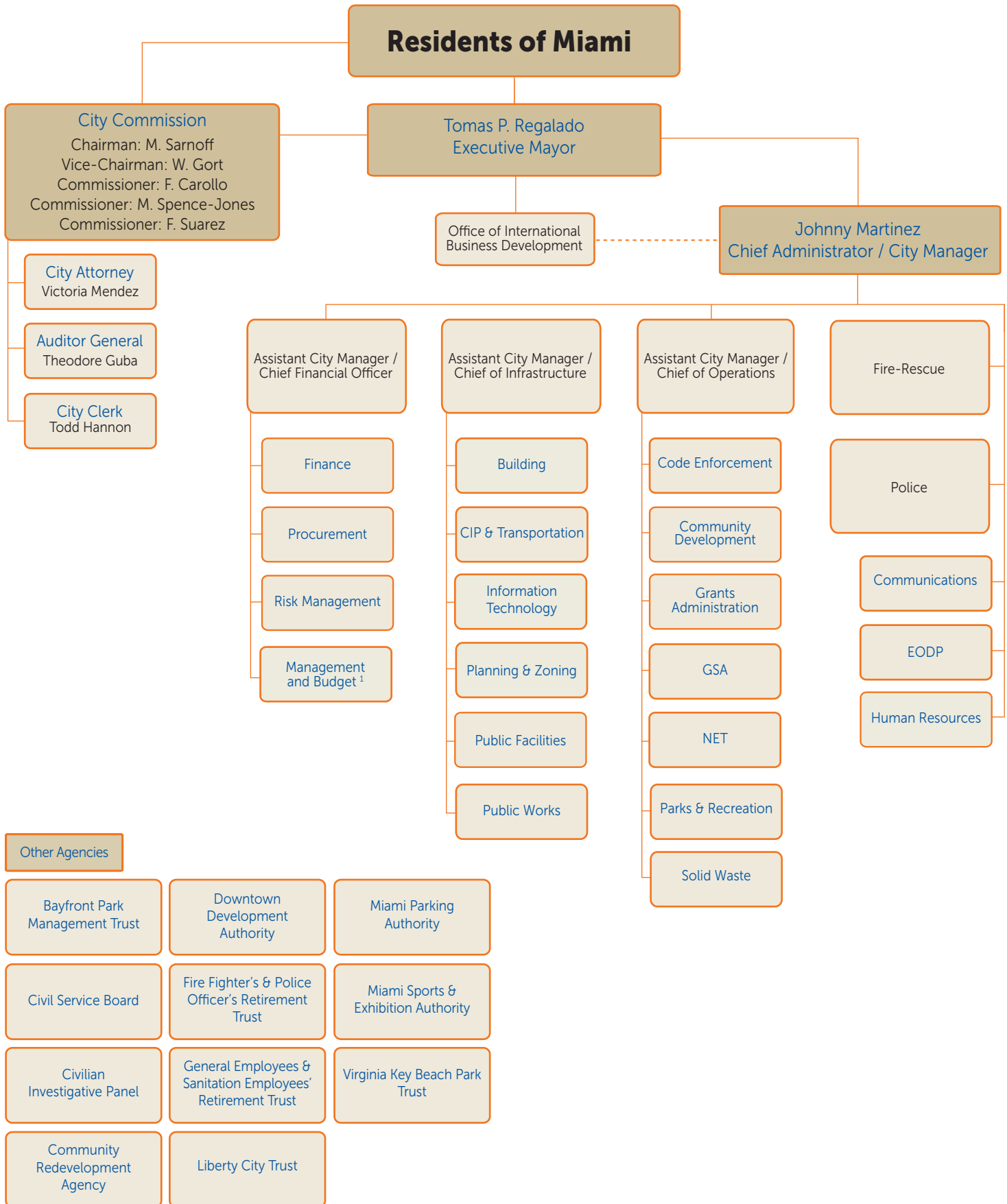
Francis Suarez, Commissioner

CITY MANAGER

Johnny Martinez, P.E.

CITY ATTORNEY

Victoria Méndez



¹ Management and Budget is an Office within the City Manager's Office



CITY PROFILE AND DEMOGRAPHICS

The City is situated at the mouth of the Miami River on the western shores of Biscayne Bay. It is a main port of entry into Florida. Now 117 years old, the City is part of the nation's seventh largest metropolitan area. Incorporated in 1896, the City is the only municipality conceived and founded by a woman – Julia Tuttle. According to the U.S. Census Bureau, the City's population in 1900 was 1,700 people. Today it is a city rich in cultural and ethnic diversity of approximately 414,000 residents according to the U.S. Census Bureau, 58.1 percent of them foreign born. In physical size, the City is not large, encompassing only 35.87 square miles. In population, the City is the largest of the 35 municipalities that make up Miami-Dade County and is the county seat.

The City Charter was adopted by the electors of the City of Miami at an election held May 17, 1921 and legalized and validated by Chapter 9024 of the laws of the State of Florida of 1921. The Florida Legislature, in 1955, approved and submitted to a general election, a constitutional amendment designed to give a new form of government to Miami-Dade County, Florida ("County"). The County is, in effect, a municipality with governmental powers affecting thirty-five cities and unincorporated areas, including the City. The County has not displaced nor replaced the cities' powers, but supplements them. The County can take over particular activities of the City's operations if the services fall below minimum standards set by the County Commission, or with the consent of the governing body of the City. Accordingly, the County's financial statements are not included in this report.

Since 1997, the City has been governed by a form of government known as the "Mayor-City Commissioner plan." There are five Commissioners elected from designated districts within the City. City elections are held in November every two years on a non-partisan basis. Candidates for Mayor must run as such and not for the Commission in general. At each election, two or three members of the Commission are elected for four-year terms. Thus, the terms are staggered so that there are always at least two experienced members of the Commission. The Mayor is elected at large every four years.

As official head of the City, the Mayor has veto authority over actions of the Commission. The Mayor appoints the City Manager who functions as chief administrative officer. The City Manager serves as the administrative head of the municipal government, charged with the responsibility of managing the City's financial operations and organizing and directing the administrative infrastructure. The City Manager also retains full authority in the appointment and supervision of department directors, preparation of the City's annual budget and initiation of the investigative procedures. In addition, the City Manager takes appropriate action on all administrative matters.

The City provides a full range of services, including police and fire protection; public works activities; refuse collection; building inspections; licenses and permits; vital statistics; the construction and maintenance streets, and other infrastructure; recreational and cultural activities; and most recently trolley services.

This past year confirmed a continued slow growth for the economy and employment as well as a modest reduction in the unemployment rate. The local economy derived strength from a surprisingly strong real estate sector, both in terms of real estate transactions and new construction. For Miami's main economic engines fiscal year 2013 was a very interesting year. The comeback of real estate has been somewhat unexpectedly robust. Tourism went from being majority domestic to majority international and the international trade sector



CITY PROFILE AND DEMOGRAPHICS

moved towards looking more like the US trade sector with a reduction in exports and strong increases in imports.

While overall job growth has been modest, it is nonetheless viewed as favorable, thus making it a year of recovery. Despite a limited gain in the size of the labor force, the unemployment rate noticeably decreased.

Traditionally, the real estate sector in Miami is viewed as one of the important measures of the County's economic health. Over the past year, the sector broke away from the slow pace improvement mode experienced since 2011. Residential sales, sales prices and construction increased while foreclosure filings dropped. By the year end, sales of existing single-family homes and condominiums increased slightly. This was fueled, in part, by low mortgage rates and expectations of higher rates in the future.

The City is an international crossroads and known for its range of lifestyles, high-rise skyline, exciting entertainment venues, recreational opportunities, and ethnic diversity. The economic base of the City has diversified in recent years, shifting from reliance on the tourism industry to a combination of motion picture production, manufacturing, service industries and international trade. The area's advantages in terms of climate, geography, low taxes and skilled labor have combined to make the Miami area a prime relocation area for major firms and international corporate headquarters.

The City's emphasis continues to be on its plan to restore, maintain and beautify urban and residential infrastructure through a program of major renovations and improvements to City parks, streets, sidewalks, and drainage systems.

Some of the planned projects in Parks and Recreation include the design and/or construction of various Community Buildings that include: The Coral Way NET Office Community Center, Bryan Park Community Center, Hadley Park New Youth Center and West End Park Community Building.

In addition, enhancing Public Safety is a major initiative. The Fire Department is working with Capital Improvements toward the new design and construction of Fire Station 14. The Police Department plans to hire, train, and deploy officers through funding from grants and the general fund.

Other initiatives include planning the design and construction of a new Marine Stadium Marina at Virginia Key that will generate additional revenues to the City; and an expanded automated single stream recycling program. The process of collecting recyclables preserves the environment, decreases the City's disposal costs, and extends the useful life of existing landfills.

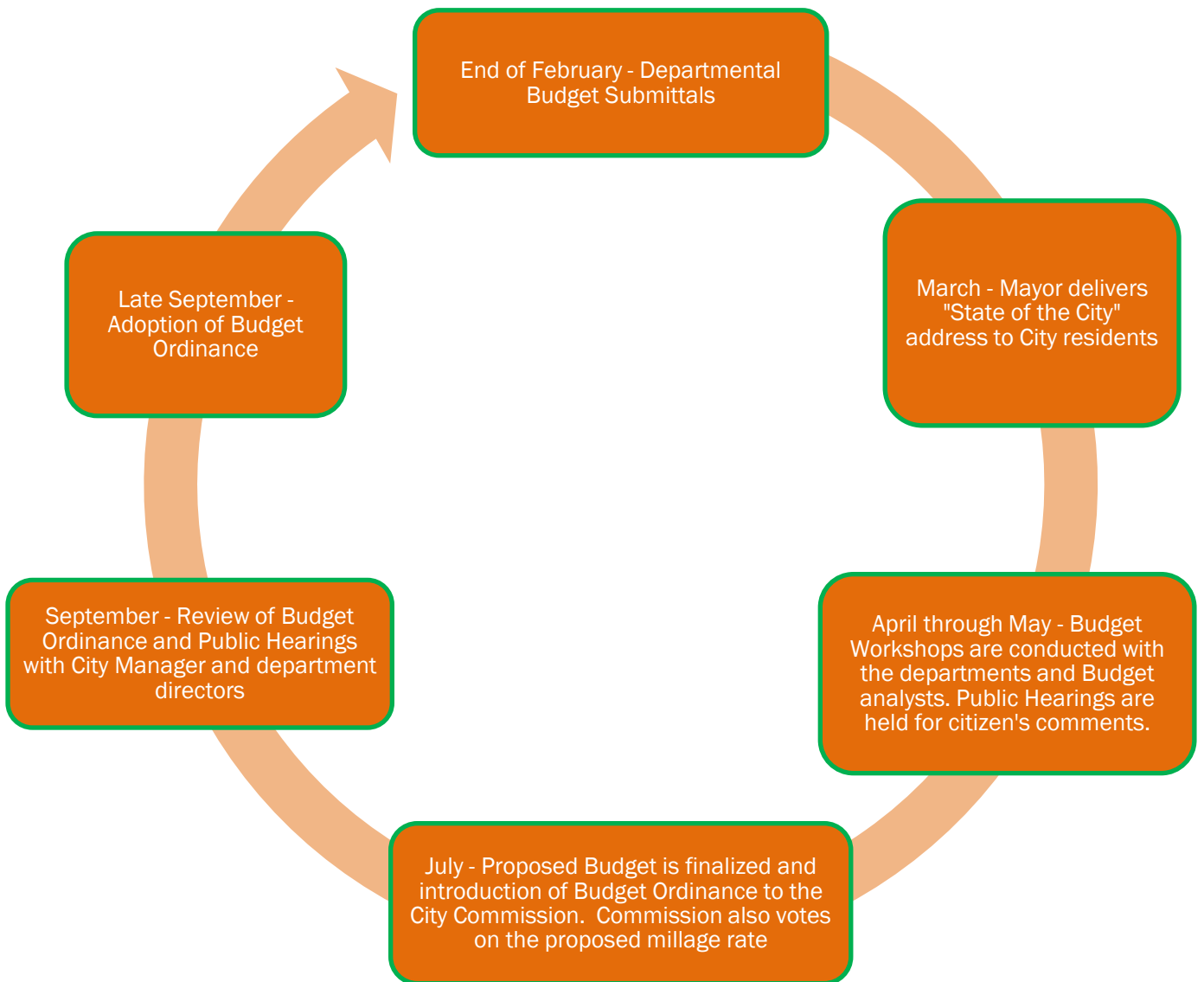


BUDGET PROCESS

The annual budget serves as the foundation for the City's financial planning and control. The City's fiscal year is from October 1st to September 30th. The Mayor is required to prepare and deliver a budgetary address annually to the residents of the City.

The City Commission is required to hold public hearings on the proposed budget and to adopt the final budget no later than September 30 preceding the beginning of the fiscal year on October 1.

Budgets are monitored at varying levels of classification detail that include both personnel and operating as appropriation designations; however, budgetary control is legally maintained at the fund level except for the general fund, which is maintained at the departmental operating level.





FINANCIAL HIGHLIGHTS

The information provided is summarized and represents only selected funds and therefore is not in accordance with generally accepted accounting principles (GAAP) and is not intended to represent all of the City's component units. The following table is a summary of select financial data for the past three fiscal years.

Financial Summary

(\$ in thousands)

2012-13 2011-12 2010-11

Net Position

Assets	\$ 1,655,610	\$ 1,664,755	\$ 1,689,178
Liabilities	1,253,466	1,249,001	1,241,335
Total Net Position	402,144	415,754	447,843

Revenues

Governmental Activities	\$ 714,451	\$ 678,608	\$ 676,256
Total Revenues	714,451	678,608	676,256

Expenditures

Governmental Activities	\$ 728,061	\$ 710,697	\$ 763,191
Total Expenditures	728,061	710,697	763,191

Capital Assets

Governmental Activities	\$ 1,137,126	\$ 1,157,018	\$ 1,160,899
Total Capital Assets	1,137,126	1,157,018	1,160,899

Long-Term Obligations

Governmental Activities	\$ 672,821	\$ 702,327	\$ 726,859
Total Long-Term Obligations	672,821	702,327	726,859

Governmental activities of the City – general government, planning and development, community development, community redevelopment areas, public works, public safety, public facilities, parks and recreation, interest on long-term debt.



NET POSITION

The Balance Sheet, known as the Statement of Net Position in governmental financial statements, presents information concerning the City's assets and liabilities with the difference between the two reported as net position. Increases and decreases in net position serve as an indicator of the City's financial position and of the results of the City's operations.

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$402.1 million. The largest portion of the City's net assets, \$626.0 million consists of its investment in capital assets (e.g. infrastructure, land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Therefore, even though the City's investment in capital assets is reported net of related

debt, the resources needed to repay debt cannot come from the capital assets themselves and must be provided from other sources. An additional portion of the City's net position, approximately \$93.4 million or 23.2%, represents resources that are subject to restrictions on how they may be used. The remaining portion represents an unrestricted net position deficit of approximately \$317.2 million which is primarily due to outstanding borrowings for which there are no off-setting assets, along with an increase in claims payable, pension obligation, and the recognition of the city's other post-employment benefits (OPEB) liability.

At the end of the current fiscal year, the City is able to report a positive balance of net position. However, the City's overall net position did decrease by \$13.6 million from the prior fiscal year.

Statement of Net Position

(\$ in thousands)

	Governmental Activities			
	2012-13	2011-12	Change (\$)	Change (%)
Current and other assets	\$ 518,484	\$ 507,737	\$ 10,747	2.1%
Capital assets	1,137,126	1,157,018	(19,892)	-1.7%
Total assets	1,655,610	1,664,755		
Other liabilities	178,091	209,341	(31,250)	-14.9%
Long-term liabilities	1,075,375	1,039,660	35,715	3.4%
Total liabilities	1,253,466	1,249,001		
Net Position:	402,144	415,754		
Net Investment in capital ass	626,017	657,452	(31,435)	-4.8%
Restricted	93,376	90,078	3,298	3.7%
Unrestricted (Deficit)	(317,249)	(331,776)	14,527	-4.4%
Total Net Position	\$ 402,144	\$ 415,754		



REVENUES *WHERE DOES THE MONEY COME FROM?*

Total Revenues

(\$ in thousands)

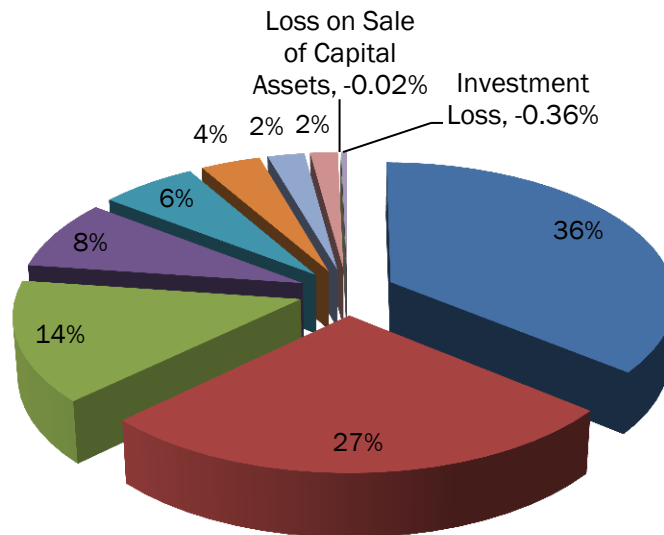
	Governmental Activities	
	2012-13	2011-12
Program revenues		
Charges for services	\$ 194,061	\$ 166,732
Operating grants and contributions	103,177	88,608
Capital grants and contributions	17,042	29,303
General revenues:		
Property taxes	258,508	250,273
Franchise taxes	44,699	44,650
State revenue sharing - unrestricted	12,673	12,367
Sales and other use taxes	27,738	25,803
Public services tax	59,322	58,046
Loss on sale of capital assets	(116)	-
Investment earnings/(losses)	(2,653)	2,826
Total revenues	\$ 714,451	\$ 678,608

Charges for services increased by \$27.3 million from the prior year partly due to a \$12.8 million increase from Other Charges (i.e. lease management services, hearing board fees and towing) and an increase of \$4.9 million in impact fees collections.

Operating grants and contributions increased by \$14.6 million partly due to \$8.7 million in grant funds awarded to Fire Rescue to ensure adequate staffing and to address the planning, organization, equipment, training and exercise needs of the community; and approximately \$3.1 million in grant funding for the purchase of police fleet vehicles and the hiring, training, and deployment of police officers.

Revenue - Governmental Activities

- Property taxes
- Charges for services
- Operating grants and contributions
- Public services tax
- Franchise taxes
- Sales and other use taxes
- Capital grants and contributions
- State revenue sharing
- Loss on Sale of Capital Assets
- Investment Loss





EXPENDITURES *WHERE DOES THE MONEY GO?*

Total Expenditures

(\$ in thousands)

Governmental Activities

2012-13 2011-12

Expenses:

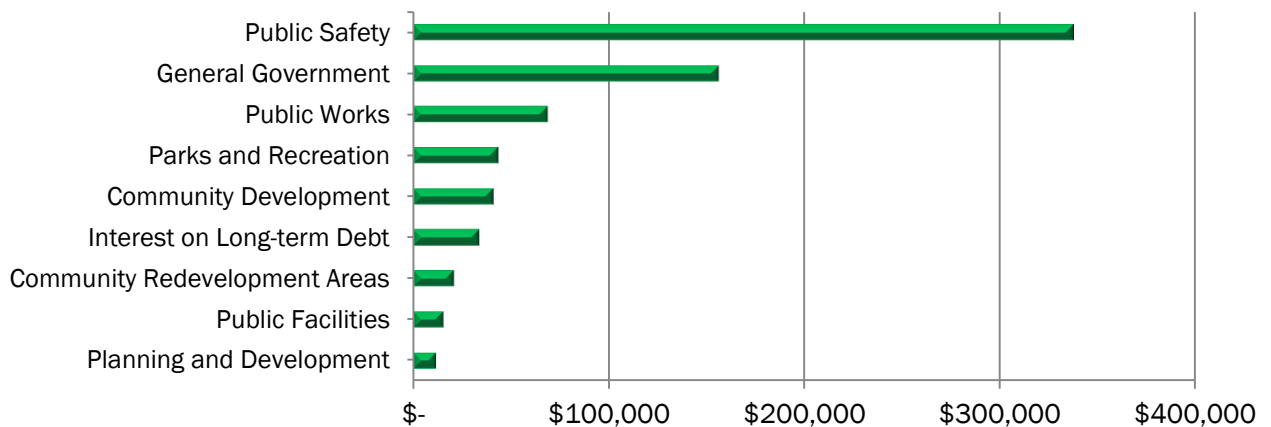
Planning and Development	11,688	16,397
Public Facilities	15,403	16,330
Community Redevelopment Areas	20,836	17,041
Interest on Long-term Debt	33,682	37,426
Community Development	40,906	38,100
Parks and Recreation	43,341	44,977
Public Works	68,733	83,062
General Government	156,125	104,495
Public Safety	337,347	352,869

Total Expenditures	\$ 728,061	\$ 710,697
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General Government expenditures increased approximately \$51.6 million from the prior year. As compared to the prior year there was an additional \$20.0 million in retiree health costs and \$4.0 million in depreciation costs incurred for the fiscal year. The remaining increase can primarily be attributed to pension, health and worker's compensation costs being charged directly to the respective departments based on actual costs.

Expenditures - Governmental Activities

(\$ in thousands)





CAPITAL ASSETS *WHAT DO WE OWN?*

The City's investment in capital assets as of September 30, 2013 is \$1.1 billion, which was a decrease of approximately 1.72% from fiscal year 2012. This investment in capital assets includes land, buildings, improvements, machinery, equipment and infrastructure (e.g. roads, sidewalks, drainage, and similar items).

Capital assets are defined by the City as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value on the date of the donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major capital asset events during the current fiscal year included the following:

- Construction in progress increased approximately \$10.9 million. The total transfers out of Construction in progress amounted to \$28 million and \$38.9 million in new expenditures for remaining projects not yet completed during fiscal year 2013.
- The Infrastructure projects completed during the fiscal year included \$2.0 million in Docks & Piers/Storm Drain Pipe Distributions/Waterway projects and the remaining amount is primarily attributable to Streets and Sidewalks projects.
- The Improvement projects completed during the fiscal year included \$0.1 million in building and the remaining amount is primarily attributable to land improvements.

Capital Assets (net of depreciation)

(\$ in thousands)

	Governmental Activities	
	2012-13	2011-12
Land	\$ 94,128	\$ 93,583
Construction-in-Progress	59,118	48,223
Buildings	194,766	199,861
Improvements	162,334	174,290
Machinery and Equipment	49,834	55,703
Infrastructure	576,946	585,358
Total Capital Assets	\$ 1,137,126	\$ 1,157,018



LONG-TERM OBLIGATIONS *WHAT DO WE OWE?*

As of September 30, 2013, the City's long-term obligations totaled \$1.2 billion. Of this amount, \$85.8 million is due within one year. The long-term obligations for the City include debt, compensated absences, other post-employment benefit obligations, and pension.

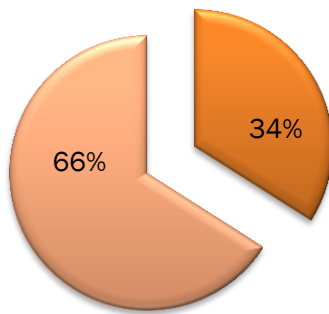
Long-Term Obligations

(\$ in thousands)

	Governmental Activities	
	Ending Balance as of September 30, 2013	Amount Due Within One Year
General Obligation Bonds	\$ 228,970	\$ 11,593
Special Obligation Bonds/Revenue Bonds & Loans	443,851	14,097
Total Debt Outstanding	672,821	25,690
Accretion	16,819	-
Bond Premium	9,650	-
Deferred Charge on Advance Refunding	(3,003)	-
Compensated Absences	64,969	7,471
Claims Payable	200,880	52,665
Other Post Employment Benefits	194,489	-
Net Pension Obligation	4,576	-
Total Long-Term Obligations	\$ 1,161,201	\$ 85,826

Long-Term Debt

- General Obligation Bonds
- Special Obligation Bonds/Revenue Bonds & Loans



The City had total debt outstanding of \$672.8 million as of September 30, 2013.

Of this amount, \$13.8 million is backed by the full faith and credit of the City and \$215.2 million is backed Limited Ad Valorem Tax Revenue; the remainder represents Special Obligation, Revenue bonds and loans which are secured solely by Non-Ad Valorem revenue sources.

Schedule of Funding Progress

Pension Systems - Funded Ratio	Actuarial Valuation Date		
	10/1/2012	10/1/2011	10/1/2010
General Employees and Sanitation Employees (GESE) Retirement Trust	65%	71%	78%
GESE Staff Plan	56%	68%	65%
GESE Excess Plan	0%	0%	0%
Firefighters and Police Officers Retirement Trust	73%	72%	75%
	10/1/2013	10/1/2012	10/1/2011
Elected Officials Retirement Trust	78%	79%	85%



INVESTMENTS *HOW SAFE IS OUR MONEY?*

TYPES OF RISK

Interest Rate Risk - the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates

Credit Rate Risk – the risk that the City will not recover its investments due to the inability of the issuer to fulfill its obligation

Custodial Credit Risk – the risk that, in the event of failure of the issuer, the City will not be able to recover the value of its deposits, investments, or collateral securities that are in possession an outside party

Cash and Investments

(\$ in thousands)

Deposits	\$	157,191
Investments		289,339
Total	\$	446,530

WAYS THE CITY MITIGATES RISK

Interest Rate Risk - to limit its exposure to fair value losses arising from rising interest rates, the City's Investment Policy limits the maturity of an investment to a maximum of five years.

Credit Rate Risk – in order to prevent over concentration by investment type, the City's Investment Policy provides for diversification of its portfolio which establishes limitations on portfolio composition by investment type and by issuer

Custodial Credit Risk – the City's Investment Policy requires that all securities be registered in the name of the City and be held with a third party custodian. The policy also requires all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City.

Investments

(\$ in thousands)

	Fair Value	Weighted Average Maturity in Years	S&P's Rating	Moody's Rating
Federal National Mortgage Association	\$ 81,966	4.06	AA+	Aaa
Federal Home Loan Mortgage Corporation	50,455	4.28	AA+	Aaa
Federal Farm Credit Bank	57,463	4.23	AA+	Aaa
Federal Home Loan Bank	77,598	4.01	AA+	Aaa
Money Market	21,857	0	Not Applicable	Not Applicable
Total	\$ 289,339			



FUND BALANCE *GENERAL FUND*

The City follows Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which established the accounting and financial reporting standards for government entity to report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following are description of the City's fund balance classifications:

Non Spendable Fund Balance – This amount includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of this would be inventory, prepaid assets, and permanent endowments.

Restricted Fund Balance – This amount includes amounts that are restricted to specific purposes stipulated by (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This amount includes amounts that can only be used for specific purposes pursuant to constraints imposed by resolution of the City's highest level of decision making authority which is the City Commission. Once adopted by resolution, a resolution can only be revised or removed by adoption of a new resolution.

Assigned Fund Balance – This amount includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the City Commission. The City's Financial Integrity Rule Section 18-542 specifies the amounts the City shall retain as assigned fund balance.

Unassigned Fund Balance – This amount is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may include negative balances for any governmental fund, except the general fund, if cumulative expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the City's total general fund balance was \$75.5 million, an increase of \$17.9 million in comparison with the prior year. Of this amount, \$72.9 million is classified as assigned fund balance in accordance with the City's Financial Integrity Ordinance which requires 10 percent of the average 3 years revenue to be designated as assigned fund balance.

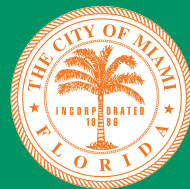
Fund Balance - General Fund

(\$ in thousands)

	2012-13	2011-12
Non-Spendable	\$ 2,554	\$ 7,141
Restricted	-	-
Committed	-	-
Assigned	72,908	50,403
Unassigned	-	-
Total Fund Balance	\$ 75,462	\$ 57,544

Key factors in the overall increase were due to:

- An increase in tax revenues due to the 3.29 % growth in the City's taxable property value.
- The City was very diligent in creating stop-gaps in fiscal year 2013, by budgeting funds for one-time payouts, uncollectable revenues and managing expenditures.



2013

POPULAR ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2013