

CITY OF DORAL, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2004

Prepared by:

THE FINANCE DEPARTMENT

CITY OF DORAL, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2004

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CITY OF DORAL, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION



February 10, 2005

To the Honorable Mayor, Members of the City Council and Citizens of the City of Doral:

The Government Finance Officers Association (GFOA) recommends that all units of local government publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with auditing standards generally accepted in the United States and in accordance with Government Auditing Standards by a firm of licensed certified public accountants. Pursuant to that recommendation, we hereby issue the Comprehensive Annual Financial Report of the City of Doral for the fiscal year ended September 30, 2004.

This report consists of management's representation concerning the finances of the City of Doral. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Doral has established a comprehensive internal framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Doral's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Doral's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The firm of Rachlin Cohen & Holtz LLP, licensed certified public accountants has audited the City of Doral's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of Doral for the fiscal year ended September 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Doral's financial statements for the fiscal year ended September 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Doral's MD&A can be found immediately following the report of the independent certified public accountants.

Profile of the Government

The City of Doral, incorporated June 24, 2003, is located in northwestern, Miami-Dade County, Florida approximately 10 miles west of Miami, Florida. The City of Doral occupies a land area of 15 square miles bordered on the west by the Ronald Reagan Turnpike, to the north by the Town of Medley, to the east by the Palmetto Expressway and to the south by the City of Sweetwater. The City serves a population of approximately 29,670. The City of Doral receives tax levies on real and personal property located inside its boundaries.

The City of Doral has operated under the mayor-council-manager form of government since incorporation. Policymaking and legislative authority are vested in a governing council consisting of the mayor and four other council members. The Council is responsible among other things, for passing ordinances and resolutions, adopting the annual budget, appointing the City Manager, City Attorney and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the daily operations of the government, and for appointing the heads of various departments.

The City of Doral offers a wide range of services, including, police protection, public works maintenance, a full service Community Development Department, and parks and recreation activities. Certain services are provided through the County School System and the County Library System through Miami-Dade County.

The annual budget serves as a foundation for the City of Doral's financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager and these requests are the initiation of developing the proposed budget. The City Manager then presents this proposed budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. No department may legally expend in excess of the amount appropriated for that department within an individual fund. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments or funds require the approval of the City Council. The City Council approves supplemental appropriations. Budget to actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. The general fund, budget to actual report, is presented in the required supplemental information section of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment with which the City of Doral operates.

Local Economy

The City of Doral enjoys a favorable economic environment and local indicators point to continued future stability. This community is comprised of well-educated and involved citizens who take a genuine interest in the social, business, cultural and governing aspects of their City. The City is comprised of upper middle class residential housing stock, several shopping centers, office parks, and industrial properties.

Long-Term Financial Planning

The City celebrated its first anniversary of incorporation on June 24, 2004. During the initial period of existence, interim members of the City's administration have been replaced with a permanent City Manager, City Attorney, City Clerk, and Finance Director to complement the forward direction established by the City Council.

The City is presently implementing a comprehensive living projection five years into the future to assess revenue trends and expenditure needs to assure a balanced stable financial program avoiding millage rate increases while addressing the various goals and objectives of the community.

Cash Management Policies and Practices

The City's Cash Management strategy emphasizes immediate funds collection and deposit into the appropriate fund utilizing ACH debit or wire transfer methods in over 90% of all funds received. Currently, the City's investment policy follows Chapter 218, Florida Statutes. Surplus cash is invested with the State Board of Administration. Investment objectives are the preservation of principal, liquidity in accordance with planned cash flows, and return on investment in that order.

Risk Management

The City is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Florida League of Cities Municipal Insurance Trust for workers' compensation, liability and property insurance.

Pension and Other Post-Employment Benefits

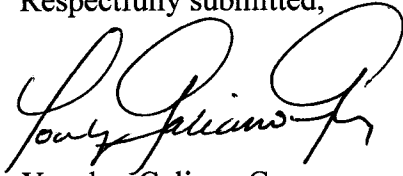
The City of Doral sponsors a defined contribution pension plan 401(a) with the International City Managers' Association, Retirement Corporation (ICMA RC). Each full time employee contributes six percent (6%) of his or her pay to the plan; the City contributes twelve percent (12%). In addition, the City sponsors a 457 deferred compensation plan in which the employees may contribute on a voluntary basis.

Awards and Acknowledgements


The City of Doral is presenting its first CAFR. The only prior report, for the City's initial fiscal period, was presented as a set of Basic Financial Statements in accordance with the Governmental Accounting Standards Board Statement Number 34, more commonly known as GASB 34, a major new standard, which changed the method and content governments must report. This was the largest single revision of governmental accounting standards and represented a major effort on the part of the City to comply with this new standard.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of all departments of the City of Doral. We would like to express our appreciation to all members of all of the departments who assisted and contributed to the preparation of this report. Appreciation is also extended to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Doral's finances.

Respectfully submitted,



Yocelyn Galiano Gomez
City Manager



Randolph G. White
Finance Director

CITY OF DORAL, FLORIDA

CITY OFFICIALS

SEPTEMBER 30, 2004

CITY COUNCIL

Juan Carlos Bermudez, Mayor
Pete Cabrera, Vice Mayor
Michael DiPietro
Sandra M. Ruiz
Robert Van Name

CITY MANAGER

Yocelyn Galiano Gomez, ICMA CM

CITY CLERK

Sheila Paul, CMC

CITY ATTORNEY

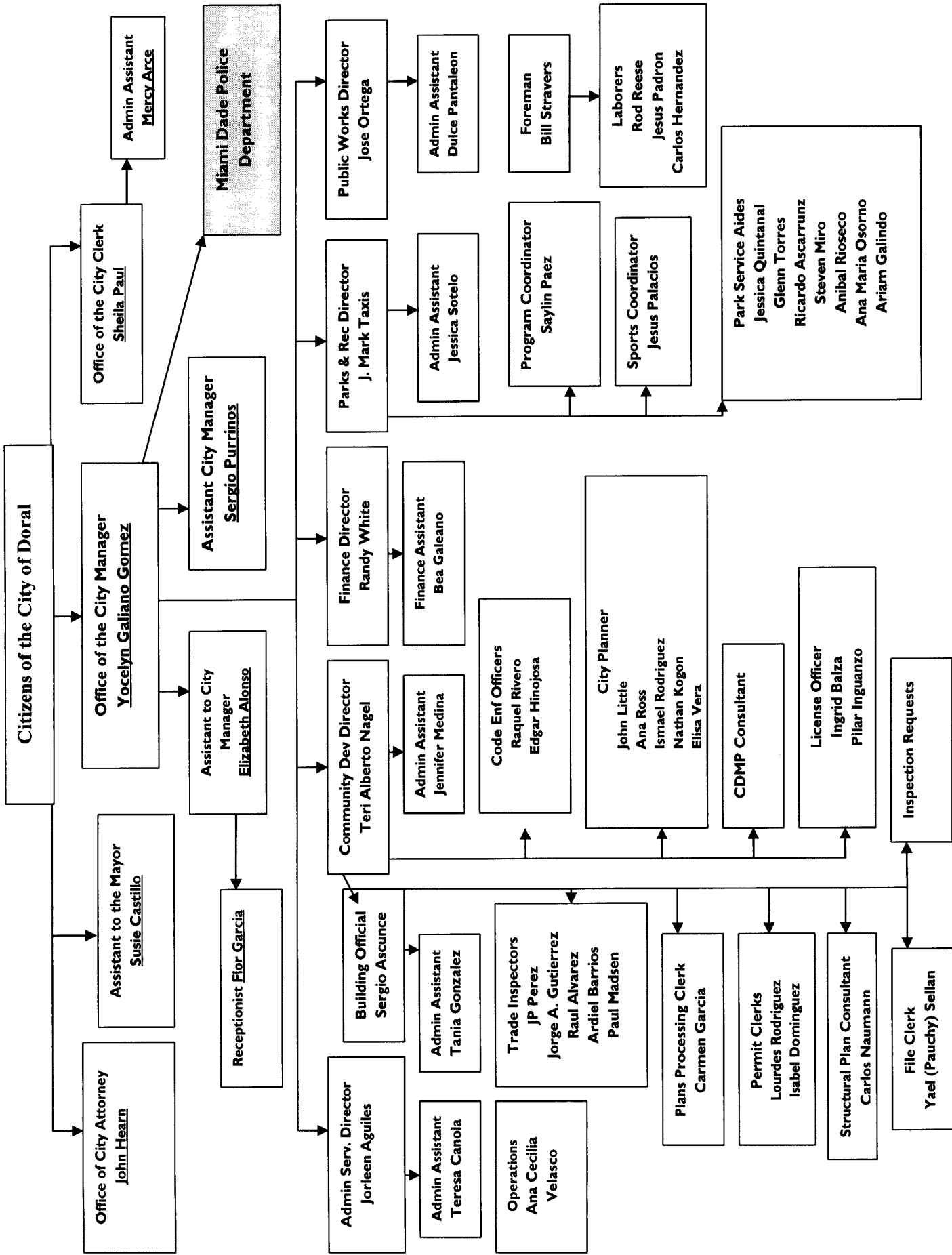
Law Offices of John J. Hearn, P.A.

FINANCE DIRECTOR

Randolph G. White, P.A.

CITY AUDITORS

Rachlin Cohen & Holtz LLP
Accountants ▪ Advisors



FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, City Council and City Manager
City of Doral, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Doral, Florida (the City) as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Doral, Florida as of September 30, 2004, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Rachlin Cohen & Holtz LLP

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Honorable Mayor, City Council and City Manager
City of Doral, Florida
Page Two

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-10 and pages 28-30, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

Rachlin Cohen + Holtz LLP

Miami, Florida
February 10, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Management's Discussion and Analysis

As management of the City of Doral, we offer readers of Doral's (the City) financial statements this narrative overview and analysis of the financial activities of the City of Doral for the fiscal year ended September 30, 2004.

Financial Highlights

- The assets of the City of Doral exceeded its liabilities at the close of the most recent fiscal year by \$5,916,819 (net assets). Of this amount, \$5,916,819 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$4,428,624 this increase is attributable to excess revenues over expenses for 2004.
- As of the close of the current fiscal year, Doral's governmental funds reported an ending fund balance of \$5,485,179. This entire total amount is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,547,623, or 19.5 % of total general fund expenditures.
- The City did not incur any debt during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Doral's basic financial statements. Doral's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Doral's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Doral's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Doral is improving or deteriorating.

The *statement of activities* presents information showing how the City of Doral's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Doral that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the City of Doral include general government, public safety, public works, community development, and parks & recreation. During the year, the City established a storm water fund (business type entity) with a \$150,000 transfer from the general fund.

The government-wide financial statements include only the City of Doral itself (known as the *primary government*).

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Doral, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City of Doral has two fund categories, the governmental funds and an proprietary fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on *near-term inflows and outflows of spend able resources* as well as on *balances of spend able resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Doral maintains three governmental funds, the general fund, the transportation fund and the capital projects fund.

The City of Doral adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 to 15 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Stormwater operations.

The basic proprietary fund financial statements can be found on pages 16 – 18 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 to 26 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$5,916,819 at the close of the most recent fiscal year.

A portion of the City's net assets, \$281,640 or 4.48%, reflects an investment in capital assets (e.g., land and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. These capital assets were acquired without incurring debt.

Our comparative analysis of the financial statements of the City begins below. The Statement of Net Assets and the Statement of Activities report information about the City's activities that will help answer questions about the position of the City.

Net Assets

A summary of the City's Net Assets is presented in Table A-1 and a summary of the changes in net assets is presented in Table A-2.

Table A-1

Summary of net assets

	Governmental Activities 2003	Governmental Activities 2004	Business- Type Activities 2003	Business- Type Activities 2004	Total 2003	Total 2004
Current assets	\$1,540,434	\$6,137,989	\$0	\$150,000	\$1,540,434	\$6,287,989
Current liabilities	52,239	371,170	0	0	52,239	371,170
Net assets:						
Unrestricted	\$1,488,195	\$5,766,819	\$0	\$150,000	\$1,488,195	\$5,916,819

Table A-2

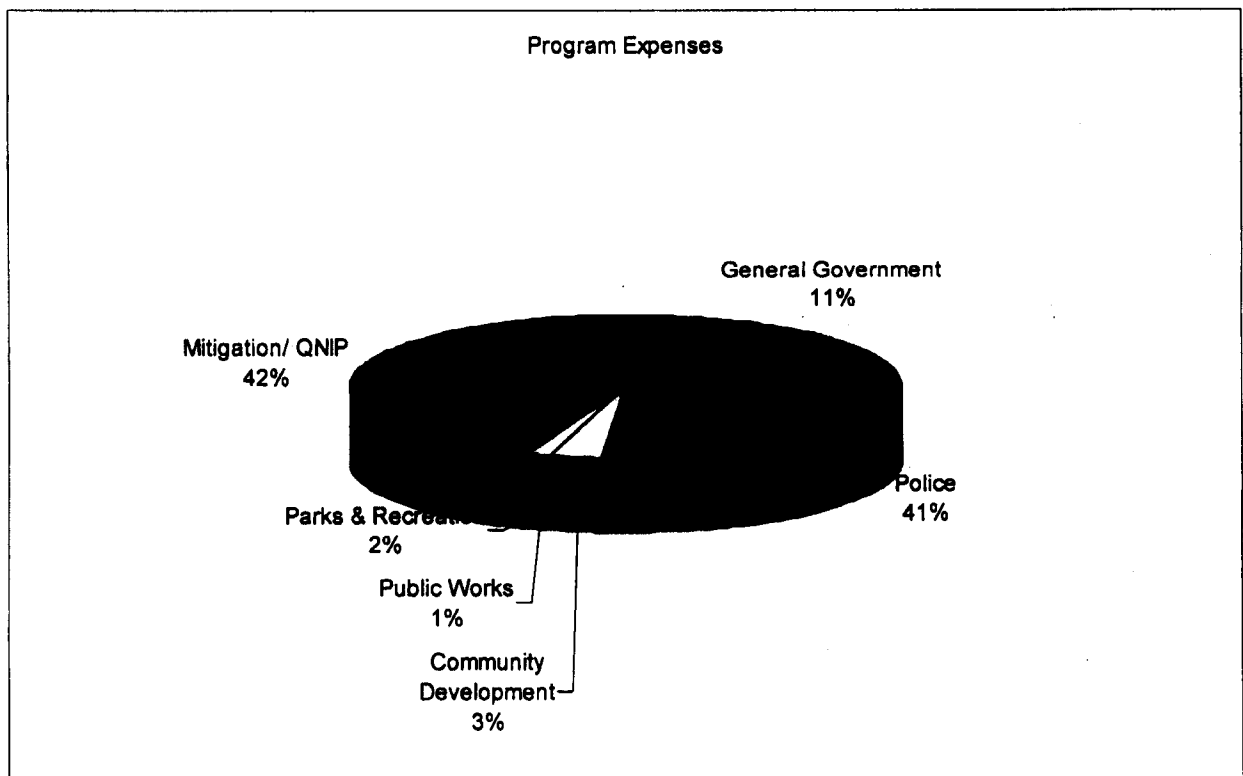
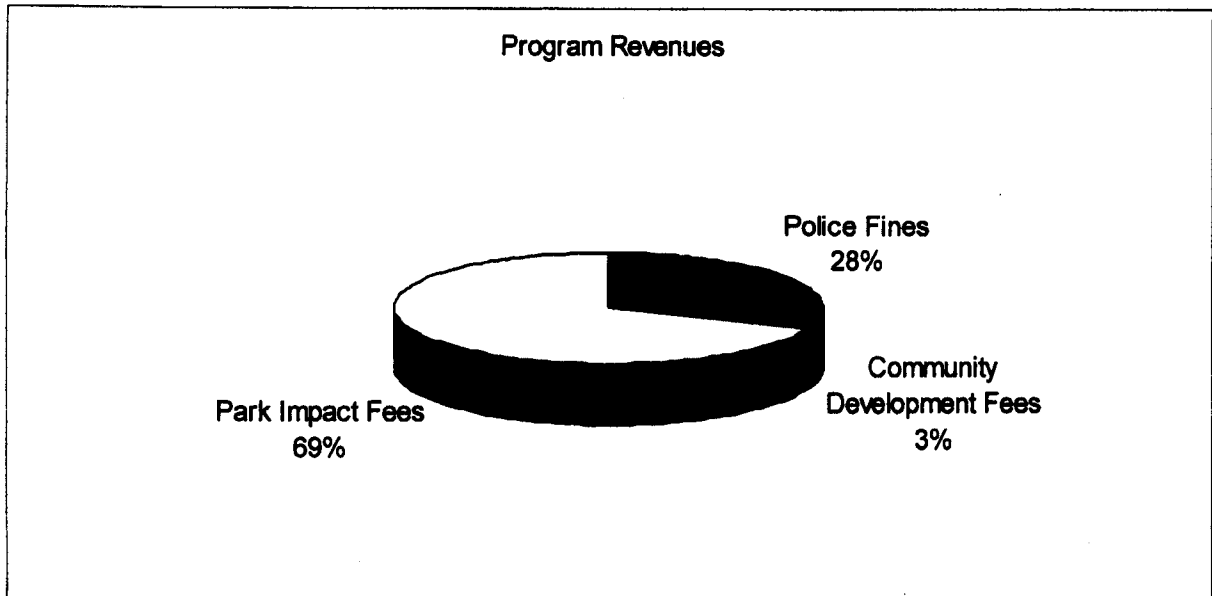
Summary of changes in net assets

	Governmental Activities 2003	Governmental Activities 2004	Business- Type Activities 2003	Business- Type Activities 2004	Total 2003	Total 2004
Revenues:						
Program						
Program Revenues:						
Charges for services	\$497,165	\$1,150,385	\$0	\$0	\$497,165	\$1,150,385

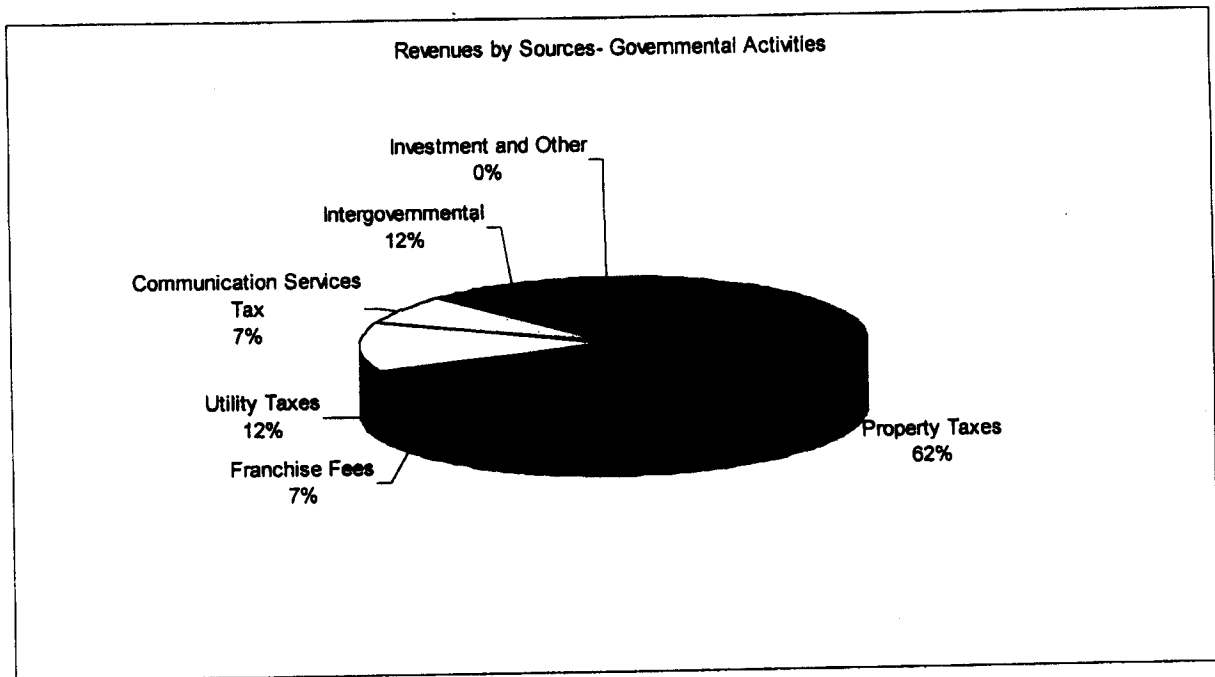
	Governmental Activities 2003	Governmental Activities 2004	Business- Type Activities 2003	Business- Type Activities 2004	Total 2003	Total 2004
General Revenues						
Property taxes	\$3,205,654	\$13,252,700			\$3,205,654	\$13,252,700
Utility taxes	460,597	2,623,865			460,597	2,623,865
Franchise fees	347,261	1,453,907			347,261	1,453,907
Communications	355,400	1,530,099			355,400	1,530,099
services tax						
Intergovernmental	375,743	2,563,255			375,743	2,563,255
Investment	12,685	35,967			12,685	35,967
income and						
miscellaneous						
Transfers	0	0	0	\$150,000	0	150,000
Total revenues	\$5,254,505	\$22,610,178	\$0	\$150,000	\$5,254,505	\$22,610,178
Expenses:						
General	\$174,272	\$1,929,776			\$174,272	\$1,929,776
government						
Police	1,212,410	7,395,866			1,212,410	7,395,866
Community	206,438	587,728			206,438	587,728
Development						
Public Works	43,208	236,776			43,208	236,776
Parks &	81,143	333,797			81,143	333,797
Recreation						
Mitigation/QNIP	2,048,839	7,697,611			2,048,839	7,697,611
Total expenses	\$3,766,310	\$18,181,554	\$0	\$0	\$3,766,310	\$18,181,554
Transfers	\$0	\$150,000	\$0	\$0	\$0	\$150,000
Change in net assets	\$1,488,195	\$4,278,624	\$0	\$150,000	\$1,488,195	\$4,428,624

The government's net assets increased by \$4,428,624 during the current fiscal year. This increase represents the results of operating under prudent adherence to budgeted allocations and with a streamlined and efficient management of the City's finances.

Program Revenues and Expenses – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Doral uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Doral's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, fund balance of the general fund was \$4,719,200, of this amount \$3,597,623 constitutes *unreserved fund* balance, which is available for spending at the City's discretion.

The general fund is the chief operating fund of the City of Doral. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 19.5 percent of total general fund expenditures, while total fund balance represents the same amount.

A comparative summary of the governmental fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balances is presented in Table B-1 and B-2 for September 30, 2003 and 2004 is shown on the following page.

Table B-1
Summary of condensed Balance Sheet

	September 30, 2003	September 30, 2004
Total assets	<u>\$1,583,644</u>	<u>\$6,364,435</u>
Total liabilities	\$ 95,449	\$879,256
Unreserved fund balance	<u>\$1,488,195</u>	<u>\$4,363,602</u>
Total liabilities and fund balances	<u>\$1,583,644</u>	<u>\$5,485,179</u>

Table B-2
Summary of condensed statement of revenues, expenditures, and changes in fund balance

	Fiscal Year 2003	Fiscal Year 2004
Total revenues	\$5,254,505	\$22,610,178
Total expenditures	<u>\$3,766,310</u>	<u>\$18,463,194</u>
Excess of revenues over expenditures	<u>\$1,488,195</u>	<u>\$4,146,984</u>

Governmental activities. Governmental activities increased the City of Doral general fund balance by approximately \$4,146,984. Key elements of this increase are as follows:

- Property taxes amounted to \$13,252,700.
- Other taxes amounted to \$4,153,964.

General Fund Budgetary Highlights

The original budget was amended. There were no supplemental appropriations for the fiscal year ended September 30, 2004.

Capital Assets

As of September 30, 2004, the City's investment in capital assets for governmental activities amounted to \$281,640. There were no capital assets in business-type activities. The total increase in capital assets was as follows:

- Purchase of six vehicles for community development
- Purchase of two vehicles for parks and recreation
- Purchase of four vehicles for public works
- Purchase of information technology equipment city-wide

Economic Factors and Next Years Budgets and Rates

- The unemployment rate for Miami-Dade County is currently 7.4 percent, which is an increase from a rate of 7.2 percent a year ago. This compares unfavorably to the state's average unemployment rate of 5.4 percent and the national average rate of 5.7 percent.
- The occupancy rate of the government's central business district has remained stable since before incorporation.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Doral's budget for the 2004 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased. The City of Doral has appropriated this entire amount for spending in the 2005 fiscal year budget. It is intended that the use of available fund balance will avoid the need to raise taxes or charges during the 2005 fiscal year, and build a reserve fund.

Requests for Information

This financial report is designed to provide a general overview of the City of Doral's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, 8300 N.W. 53rd Street, Suite 100, Doral, Florida 33166.

BASIC FINANCIAL STATEMENTS

CITY OF DORAL, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2004

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,551,922	\$ 150,000	\$ 2,701,922
Receivables, net	3,238,030	-	3,238,030
Prepays	66,397	-	66,397
Capital assets being depreciated	<u>281,640</u>	<u>-</u>	<u>281,640</u>
Total assets	<u>6,137,989</u>	<u>150,000</u>	<u>6,287,989</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	<u>371,170</u>	<u>-</u>	<u>371,170</u>
Total liabilities	<u>371,170</u>	<u>-</u>	<u>371,170</u>
<u>NET ASSETS</u>			
Invested in capital assets	281,640	-	281,640
Unrestricted	<u>5,485,179</u>	<u>150,000</u>	<u>5,635,179</u>
Total net assets	<u>\$ 5,766,819</u>	<u>\$ 150,000</u>	<u>\$ 5,916,819</u>

See notes to basic financial statements.

CITY OF DORAL, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2004

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Governmental activities:						
General government	\$ 1,571,098	\$ 34,250	\$ -	\$ -	\$ (1,536,848)	\$ -
Police	7,395,866	324,209	-	-	(7,071,657)	-
Community development	790,756	-	-	-	(790,756)	-
Public works	322,410	-	-	-	(322,410)	-
Parks and recreation	419,313	791,926	15,500	-	388,113	-
Mitigation/QNIP	7,697,611	-	-	-	(7,697,611)	-
Total governmental activities	<u>\$ 18,197,054</u>	<u>\$ 1,150,385</u>	<u>\$ 15,500</u>	<u>\$ -</u>	<u>(17,031,169)</u>	<u>(17,031,169)</u>
General revenues:						
Property taxes					13,252,700	-
Franchise fees based on gross receipts					1,453,907	-
Utility taxes					2,623,865	-
Communication service tax					1,530,099	-
Intergovernmental					2,563,255	-
Unrestricted investment earnings					2,551	-
Other					33,416	-
Transfers					(150,000)	150,000
Total general revenues and transfers					<u>21,309,793</u>	<u>150,000</u>
Change in net assets					4,278,624	150,000
Net assets - beginning					1,488,195	-
Net assets - ending					<u>\$ 5,766,819</u>	<u>\$ 150,000</u>
						<u>\$ 5,916,819</u>

See notes to basic financial statements.

CITY OF DORAL, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,341,922	\$ 210,000	\$ 2,551,922
Receivables, net	3,190,137	47,893	3,238,030
Due from general fund	-	508,086	508,086
Prepays	66,397	-	66,397
Total assets	<u>\$ 5,598,456</u>	<u>\$ 765,979</u>	<u>\$ 6,364,435</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable and accrued liabilities	\$ 371,170	\$ -	\$ 371,170
Due to transportation fund	508,086	-	508,086
Total liabilities	<u>879,256</u>	<u>-</u>	<u>879,256</u>
Fund balances:			
Reserved:			
Encumbrances	1,055,180	-	1,055,180
Prepays	66,397	-	66,397
Unreserved reported in:			
General fund	3,597,623	-	3,597,623
Capital Projects Fund	-	100,000	100,000
Transportation fund	-	665,979	665,979
Total fund balances	<u>4,719,200</u>	<u>765,979</u>	<u>5,485,179</u>
Total liabilities and fund balances	<u>\$ 5,598,456</u>	<u>\$ 765,979</u>	

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>281,640</u>
Net assets of governmental activities	<u>\$ 5,766,819</u>

See notes to basic financial statements.

CITY OF DORAL, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 13,252,700	\$ -	\$ 13,252,700
Utility taxes	2,623,865	-	2,623,865
Franchise fees	1,453,907	-	1,453,907
Intergovernmental	2,050,486	512,769	2,563,255
Licenses, permits and fines	207,312	-	207,312
Communication service tax	1,530,099	-	1,530,099
Charges for services	943,073	-	943,073
Interest	2,551	-	2,551
Other	33,416	-	33,416
Total revenues	<u>22,097,409</u>	<u>512,769</u>	<u>22,610,178</u>
Expenditures:			
Current:			
General government	1,686,572	-	1,686,572
Police	7,445,612	-	7,445,612
Community development	845,435	-	845,435
Public works	358,619	-	358,619
Parks and recreation	429,345	-	429,345
Mitigation/QNIP	7,697,611	-	7,697,611
Total expenditures	<u>18,463,194</u>	<u>-</u>	<u>18,463,194</u>
Excess of revenues over expenditures	<u>3,634,215</u>	<u>512,769</u>	<u>4,146,984</u>
Other financing sources (uses):			
Transfers in	-	210,000	210,000
Transfers out	(360,000)	-	(360,000)
Total other financing sources (uses)	<u>(360,000)</u>	<u>210,000</u>	<u>(150,000)</u>
Net change in fund balances	3,274,215	722,769	3,996,984
Fund balances, beginning	<u>1,444,985</u>	<u>43,210</u>	<u>1,488,195</u>
Fund balances, ending	<u>\$ 4,719,200</u>	<u>\$ 765,979</u>	<u>\$ 5,485,179</u>

See notes to basic financial statements.

CITY OF DORAL, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2004

Amounts reported for governmental activities in the statement of activities
(Page 12) are different because:

Net change in fund balances - total governmental funds (Page 14)	\$3,996,984
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 371,504	
Depreciation expense	<u>(89,864)</u>	
Net adjustment		<u>281,640</u>

Change in net assets of governmental activities (Page 12)	<u>\$4,278,624</u>
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See notes to basic financial statements.

CITY OF DORAL, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUND

SEPTEMBER 30, 2004

	Business-type Activities - <u>Enterprise Fund</u>
	Storm
	Water
	<u>Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	<u>\$ 150,000</u>
Total assets	<u>\$ 150,000</u>
Net assets:	
Unrestricted	<u>\$ 150,000</u>
Total net assets	<u>\$ 150,000</u>

See notes to basic financial statements.

CITY OF DORAL, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Business-type Activities - <u>Enterprise Fund</u> Storm Water <u>Fund</u>
Operating revenues:	
Service revenues	\$ <u> -</u>
Operating expenses:	
Operating, administrative and maintenance	-
Depreciation	<u> -</u>
Total operating expenses	<u> -</u>
Operating income	<u> -</u>
Non-operating revenue:	
Interest income	-
Interest expense	-
Total non-operating revenue	<u> -</u>
Income before contributions and transfers	-
Other financing sources:	
Transfers in	<u>150,000</u>
Change in net assets	150,000
Net assets, beginning	<u> -</u>
Net assets, ending	<u>\$ 150,000</u>

See notes to basic financial statements.

CITY OF DORAL, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Business-type Activities - <u>Enterprise Fund</u> Storm Water <u>Fund</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	<u>\$ 150,000</u>
Net cash provided by noncapital financing activities	<u>150,000</u>
Net increase in cash and cash equivalents	150,000
Cash and cash equivalents, beginning	<u>-</u>
Cash and cash equivalents, ending	<u>\$ 150,000</u>
Cash and cash equivalents per statement of net assets:	
Unrestricted	\$ 150,000
Restricted	<u>-</u>
	<u>\$ 150,000</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF DORAL, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Doral, Florida (the City), located in Miami-Dade County, is a political subdivision of the State of Florida. The City, which was incorporated on June 24, 2003, operates under a Mayor-Council-Manager form of government. In addition to the general government function, the City provides its residents with public safety (police), community development (building, zoning and planning functions), parks and recreation and public works. The City does not provide educational or hospital facilities; those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Financial Reporting Entity

The financial statements were prepared in accordance with governmental accounting standards, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the City, organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Based upon the application of these criteria, there were no organizations that met the criteria described above.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges

CITY OF DORAL, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees and other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City also reports the following nonmajor governmental funds:

The *Transportation Fund* accounts for the revenues received from the transportation surtax and expenditures for related transportation costs.

CITY OF DORAL, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *Capital Projects Fund* accounts for the acquisition or construction of various major capital projects.

The City also reports the following nonmajor proprietary fund:

The *Stormwater Fund* accounts for the maintenance of and construction at the City's stormwater system. Future revenues in this fund will cover all operating costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's stormwater fund is charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City had no operating or capital grants but received contributions from private sources to offset the cost of the Fourth of July parade in the amount of \$15,500.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and deposits held with the State Board of Administration (SBA) Investment Pool.

The SBA Investment Pool is recorded at its value of the pool shares (2A-7 Pool), which is fair value.

CITY OF DORAL, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

3. Capital Assets

Capital assets, which include vehicles, furniture, fixtures and equipment are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$750 or more and an estimated useful life of one year. Such assets are recorded at actual cost.

The costs of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture, fixtures and equipment	3-10
Vehicles	5

4. Compensated Absences

It is the City’s policy to permit full-time employees to accumulate limited amounts of earned vacation and sick leave. Upon separation from service, employees receive payment for a portion of unused vacation time and sick leave subject to length of service and contract classification. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The general fund is used to liquidate such amounts.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosures of contingent liabilities, revenues and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectibility of receivables and the useful lives of capital assets. Although these estimates as well as all estimates are based on management’s

CITY OF DORAL, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Use of Estimates (Continued)

knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the State Board of Administration Investment Pool (SBA). The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

Cash and cash equivalents as presented on the Statement of Net Assets and the balance sheet include deposits (cash) and investments. The investments at the State Board of Administration, which is carried at \$2,020,116 at September 30, 2004, is not subject to risk categorization. The Investment Pool is reported at its fair value of its position in the Pool, which is the same as the value of the pool shares.

CITY OF DORAL, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The reconciliation of the deposits and investments on the Statement of Net Assets is as follows:

Cash and cash equivalents	<u>\$2,701,922</u>
Deposits	\$ 681,806
Investments	<u>2,020,116</u>
	<u>\$2,701,922</u>

NOTE 3. RECEIVABLES

Receivables as of September 30, 2004 for the City's individual major fund and nonmajor funds in the aggregate, including the allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Intergovernmental	\$ 3,190,137	\$ 47,893	\$ 3,238,030
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 3,190,137</u>	<u>\$ 47,893</u>	<u>\$ 3,238,030</u>

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ -	\$ 239,864	\$ -	\$ 239,864
Vehicles	<u>-</u>	<u>131,640</u>	<u>-</u>	<u>131,640</u>
Total capital assets, being depreciated	<u>-</u>	<u>371,504</u>	<u>-</u>	<u>371,504</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	-	(63,536)	-	(63,536)
Vehicles	<u>-</u>	<u>(26,328)</u>	<u>-</u>	<u>(26,328)</u>
Total accumulated depreciation	<u>-</u>	<u>(89,864)</u>	<u>-</u>	<u>(89,864)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>281,640</u>	<u>-</u>	<u>281,640</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 281,640</u>	<u>\$ -</u>	<u>\$ 281,640</u>

CITY OF DORAL, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 46,620
Police	15,590
Community development	13,296
Public works	9,052
Parks and recreation	<u>5,306</u>
Total depreciation expense - governmental activities	<u>\$ 89,864</u>

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2004 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Transportation	General	<u>\$ 508,086</u>	Revenue collections

Interfund transfers:

Transfers in:

	<u>Transportation</u>	<u>Capital Projects</u>	<u>Storm-water</u>	<u>Total</u>	<u>Purpose</u>
Transfers out:					
General fund	<u>\$ 110,000</u>	<u>\$ 100,000</u>	<u>\$ 150,000</u>	<u>\$ 360,000</u>	To fund future projects

NOTE 6. PROPERTY TAXES

Property values are assessed on a county-wide basis by the Miami-Dade County Property Appraiser as of January 1, the lien date, of each year and are due the following November 1. Taxable value of property within the City is certified by the Property Appraiser and the City levies a tax millage rate upon the taxable value, which will provide revenue required for the fiscal year beginning October 1.

Property taxes levied each November 1, by the City and all other taxing authorities within the County, are centrally billed and collected by Miami-Dade County, with remittances to the City of their proportionate share of collected taxes. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month discount for the period November through February, and are due no later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent taxes with interest and penalties are sold by Miami-Dade County, with remittance to the City for its share of those receipts.

CITY OF DORAL, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. COMMITMENTS AND CONTINGENCIES

Municipal Service Trust Fund

The City is required to contribute municipal property tax revenues into a municipal service Trust Fund (MSTF) of the County. The MSTF will be utilized by the County to (1) maintain police services in the unincorporated areas proximate to the City; and (2) to provide a municipal assistance retainer enabling the City to obtain certain advice, expertise, training, financial planning and technological services, and other assistance from the County. The contribution ("Mitigation Payment") will vary yearly and is based on the Consumer Price Index and other calculations. The mitigation payment by the City to the County for the fiscal year ended September 30, 2004 was \$7,368,945. In subsequent years, the mitigation amount payable from the City to the County will be adjusted by the CPI for the residential area, not to exceed 3% over the previous year and by tax roll growth for the CBI area multiplied by 1.5 mills.

Quality Neighborhood Improvement Program (QNIP)

The City is required to pay the County its pro rata share for the Public Service Tax Revenue Bonds, Series 1999 and 2002 issued prior to the City's incorporation. The payment for the fiscal year ended September 30, 2004 was \$328,666 and the balance of the remaining payments are estimated to be approximately less than \$500,000 per year until the debt is liquidated.

Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the City carries commercial insurance.

Employment Agreement

On January 14, 2004, the City executed an employment agreement with the City Manager which provides an annual salary of \$125,000, with annual increases that the City Council may determine based on performance. The City will also contribute 12% of the City Manager's salary into a retirement program chosen by the City Manager and provide a \$500 per month automobile allowance and \$75 per month cellular phone allowance. The agreement is effective unless terminated by either party in accordance with the employment agreement.

Agreement with Miami-Dade County for Local Police Patrol Services

On June 3, 2004, the City executed an agreement with Miami-Dade County for local police patrol services. The City paid \$7,372,636 for local police services based on a budgeted amount of \$7,065,800. Payments for this initial term will be adjusted to actual labor costs incurred and deducted from the gross revenues due the City from Miami-Dade County. Payments for the services provided by the County for subsequent fiscal years shall be based upon the level of staffing services requested by the City utilizing the actual personnel costs of officers and equipment. The initial term of the agreement is for three years.

CITY OF DORAL, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. COMMITMENTS AND CONTINGENCIES (Continued)

Agreement with Miami-Dade County for Specialized Police Services

Effective June 3, 2004, the City executed an agreement with Miami-Dade County for specialized police services. The payment for specialized police services in fiscal year ending September 30, 2004 will be \$0. A payment credit is provided to the City based on the contribution made by Doral residents in their countywide millage for specialized police services. This ensures that there is no double taxation to the residents of Doral. Payments for the services provided by the County for subsequent fiscal years shall be determined by the County based on factors detailed in the agreement. The initial term of the agreement expires in three years, unless otherwise terminated in accordance with Article X of the agreement, the agreement is automatically renewed for consecutive three year terms in perpetuity.

Agreement for Professional Services

On April 14, 2004, the City executed a contract for professional services with a consulting firm to provide all of the City's financial and advisory services. Fees for the financial and advisory services total \$115,000 per year and are paid monthly. The City may consider fee adjustments each twelve month period to compensate for market conditions and anticipated type of work to be performed. The agreement is effective unless terminated by either party in accordance with the agreement.

On May 20, 2004, the City executed a contract for professional services with a consulting firm to provide all of the City's comprehensive planning and code enforcement services. Fees for the completion of the services described in the agreement are \$354,770. The fees will be paid on a progress completion basis. The term of the agreement is for four years from the date of execution unless terminated earlier pursuant to terms of the agreement.

Agreement for Office Space Leases

On August 21, 2003, the City executed a lease agreement for office space from October 1, 2003 to March 31, 2004. The City paid \$1,917 monthly. The rent included all utilities with the exception of telephone. The City extended this lease for two months to July 31, 2004 at \$3,427 monthly.

On June 25, 2004, the City executed a lease agreement for office space commencing on July 16, 2004 for a term of sixty months. The City is to pay both a monthly base rent and operating expenses as determined by the landlord. For the initial twenty-four months of the lease, both the base rent and operating expenses have been abated.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DORAL, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Property taxes	\$ 12,124,700	\$ 12,606,500	\$ 13,252,700	\$ 646,200
Utility taxes	6,919,000	2,575,405	2,623,865	48,460
Franchise fees	1,700,000	2,144,112	1,453,907	(690,205)
Intergovernmental	3,163,780	1,624,771	2,050,486	425,715
Licenses, permits and fines	827,000	-	207,312	425,715
Communication service tax	-	3,554,004	1,530,099	(2,023,905)
Charges for services	12,000	510,072	943,073	33,416
Interest	20,000	-	2,551	2,551
Other	-	380	33,416	33,036
Advance from County	1,000,000	-	-	-
Revenue contingency	(3,000,000)	-	-	-
Total revenues	<u>22,766,480</u>	<u>23,015,244</u>	<u>22,097,409</u>	<u>(917,835)</u>
Expenditures:				
Current:				
General government:				
Elected officials	250,000	335,087	204,184	130,903
Manager's office	350,000	449,090	257,426	191,664
City Clerk	170,000	232,605	206,771	25,834
Finance Department	262,800	121,710	118,500	3,210
City Attorney	300,000	303,000	205,946	97,054
General Government	<u>1,175,000</u>	<u>960,154</u>	<u>1,455,036</u>	<u>(494,882)</u>
Total general government	<u>2,507,800</u>	<u>2,401,646</u>	<u>2,447,863</u>	<u>(46,217)</u>
Police	7,114,000	7,399,326	7,588,516	(189,190)
Community development	-	1,883,109	910,415	972,694
Public works	1,260,000	1,074,090	434,095	639,995
Parks and recreation	1,150,000	1,136,119	433,874	702,245
Mitigation/QNIP	<u>8,532,400</u>	<u>7,822,945</u>	<u>7,703,611</u>	<u>119,334</u>
Total expenditures	<u>20,564,200</u>	<u>21,717,235</u>	<u>19,518,374</u>	<u>2,198,861</u>
Other financing uses:				
Transfers out	-	360,000	360,000	-
Total other financing uses	-	<u>360,000</u>	<u>360,000</u>	-
Net change in fund balance	<u>\$ 2,202,280</u>	<u>\$ 938,009</u>	<u>\$ 2,219,035</u>	<u>\$ 1,281,026</u>

See notes to budgetary comparison schedule.

CITY OF DORAL, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE

SEPTEMBER 30, 2004

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

An annual appropriated budget is prepared for the general fund.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) The City Manager submits to the Council a proposed operating budget for the ensuing fiscal year. The operating budget includes appropriations and the means of financing them with an explanation regarding each expenditure that is not of a routine nature.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The City Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. During fiscal year ended September 30, 2004, there were no supplemental appropriations.
- (e) Formal budgetary integration is employed as a management control device for the general fund.
- (f) The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2. For the fiscal year ended September 30, 2004, expenditures exceeded appropriations in general government by \$494,882 and police by \$189,190.

The City initially reduced the original budget for general government due to less than anticipated expenditures; however, during the last part of the fiscal year, the City Council approved approximately \$500,000 of expenditures for leasehold improvements, furniture and computer equipment. This excess of expenditures was funded by greater than anticipated revenues.

The budget for the police department is furnished by Miami-Dade County. The excess in the police department is being reviewed by County officials but is not anticipated to be resolved for several months. An adjustment may be made and will be corrected in the subsequent year's financial statement. The excess however, was funded through lower expenditures for other departments as well as greater than anticipated revenues.

CITY OF DORAL, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE

(Continued)

NOTE 3. BUDGET/GAAP RECONCILIATION

The following schedule reconciles the amounts on the budgetary comparison schedule to the amounts on the statement of revenues, expenditures and changes in fund balances-governmental funds:

	<u>General Fund</u>
Net change in fund balance - actual amounts - budgetary basis - as reported on the budgetary comparison schedule (Page 28)	\$ 2,219,035
Differences – budget to GAAP:	
Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP financial reporting purposes	<u>1,055,180</u>
Net change in fund balance - General Fund - GAAP basis - as reported on the statement of revenues, expenditures and changes in fund balances governmental funds (Page 14)	<u>\$ 3,274,215</u>

**COMBINING AND
INDIVIDUAL FUND STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

Transportation – This fund accounts for the revenues received from the transportation surtax and expenditures for related transportation costs.

Capital Projects Fund

Capital Projects – This fund accounts for the acquisition and construction of various major capital projects.

CITY OF DORAL, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

	<u>Special Revenue</u> Transportation <u>Fund</u>	<u>Capital Projects</u> Capital Projects <u>Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 110,000	\$ 100,000	\$ 210,000
Accounts receivable:			
Intergovernmental	47,893	-	47,893
Due from other funds	<u>508,086</u>	<u>-</u>	<u>508,086</u>
Total assets	<u>\$ 665,979</u>	<u>\$ 100,000</u>	<u>\$ 765,979</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances:			
Unreserved, undesignated	<u>665,979</u>	<u>100,000</u>	<u>765,979</u>
Total fund balances	<u>665,979</u>	<u>100,000</u>	<u>765,979</u>
Total liabilities and fund balances	<u>\$ 665,979</u>	<u>\$ 100,000</u>	<u>\$ 765,979</u>

CITY OF DORAL, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Transportation <u>Fund</u>	Capital Projects <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:			
Intergovernmental	\$ 512,769	\$ -	\$ 512,769
Total revenues	<u>512,769</u>	<u>-</u>	<u>512,769</u>
Expenditures:			
Current	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>512,769</u>	<u>-</u>	<u>512,769</u>
Other financing sources:			
Transfers in	<u>110,000</u>	<u>100,000</u>	<u>210,000</u>
Total other financing sources	<u>110,000</u>	<u>100,000</u>	<u>210,000</u>
Net changes in fund balance	622,769	100,000	722,769
Fund balances, beginning	<u>43,210</u>	<u>-</u>	<u>43,210</u>
Fund balances, ending	<u>\$ 665,979</u>	<u>\$ 100,000</u>	<u>\$ 765,979</u>

STATISTICAL SECTION

CITY OF DORAL, FLORIDA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS

<u>Governmental Activities</u>							
<u>Fiscal Year</u>	<u>General Government</u>	<u>Police</u>	<u>Community Development</u>	<u>Public Works</u>	<u>Parks and Recreation</u>	<u>Mitigation QNIP</u>	<u>Total</u>
2003	\$ 174,272	\$ 1,212,410	\$ 206,438	\$ 43,208	\$ 81,143	\$ 2,048,839	\$ 3,766,310
2004	1,571,098	7,395,866	790,756	322,410	419,313	7,697,611	18,197,054

As to all schedules in the statistical section, the City of Doral was incorporated June 24, 2003; therefore, there is no data prior to that date.

CITY OF DORAL, FLORIDA

GOVERNMENT-WIDE REVENUES

LAST TEN FISCAL YEARS

Fiscal Year	Program Revenues			General Revenues			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes (1)	Unrestricted Investment Earnings	Miscellaneous	Total
2003	\$ 497,165	\$ -	\$ -	\$ 4,744,655	\$ 12,685	\$ -	\$ 5,254,505
2004	1,150,385	15,500	-	21,423,826	2,551	33,416	22,625,678

(1) Includes property taxes, utility taxes, franchise fees, communication service tax and intergovernmental

CITY OF DORAL, FLORIDA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Police Department</u>	<u>Parks and Recreation</u>	<u>Public Works</u>	<u>Mitigation QNIP</u>	<u>Total</u>
2003	\$ 380,710	\$1,212,410	\$ 81,143	\$ 43,208	\$2,048,839	\$ 3,766,310
2004	2,532,007	7,445,612	429,345	358,619	7,697,611	18,463,194

Note: Includes general fund only (GAAP basis)

Note: General government includes economic development, community development, capital outlay, and non- departmental expenditures.

CITY OF DORAL, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Licenses Permits Fines</u>	<u>Inter-Governmental</u>	<u>Utility Taxes</u>	<u>Franchise Fees</u>	<u>Charges for Services</u>	<u>Other (1)</u>	<u>Interest</u>	<u>Total</u>
2003	\$3,205,654	\$251,502	\$ 332,533	\$ 815,997	\$ 347,261	\$ -	\$ 245,663	\$ 12,685	\$ 5,211,295
2004	13,252,700	207,312	2,563,255	4,153,964	1,453,907	943,073	33,416	2,551	22,610,178

Note: Includes general fund only (GAAP basis)

(1) Includes charges for services, grants, contributions and other.

CITY OF DORAL, FLORIDA

UTILITY TAX REVENUE BY SOURCE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Telecom- munications</u>	<u>Gas</u>	<u>Fuel Oil</u>	<u>Water</u>	<u>Total</u>
2003	\$ 409,487	\$ 355,400	\$ 7,110	\$ -	\$ 44,000	\$ 815,997
2004	2,067,753	1,530,099	38,785	-	517,327	4,153,964

FRANCHISE FEE REVENUE BY SOURCE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Cable Television (1)</u>	<u>Telephone (1)</u>	<u>Total</u>
2003	\$ 347,261	\$ -	\$ -	\$ 347,261
2004	1,453,907	-	-	1,453,907

- (1) Simplified communications tax effective October 1, 2001 replaced the utility tax and franchise fees on telecommunications and cable television.

CITY OF DORAL, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Tax Year	Fiscal Year	Assessed Value	Tax Levy	Total Collected	Percent Collected
2002	2003	\$ 4,912,629,342	\$ 3,333,787	\$ 3,205,654	96.16% (1)
2003	2004	6,297,897,636	12,606,500	13,252,700	105.13%

- (1) During the initial period of incorporation, taxes were levied and collected by Miami-Dade County and remitted on an annual basis to the City. The City began to levy it's own tax roll on October 1, 2004 for fiscal year 2005.

CITY OF DORAL, FLORIDA

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

<u>Tax Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Net Assessed Property Value</u>
2003	(1)	(1)	\$ 4,912,629,342 (1)
2004	\$ 5,865,268,812	\$ 432,628,824	\$ 6,297,897,636

Source: Miami-Dade County Property Appraiser's Office

Note: (1) Detail between real and personal property not available, as the City was not on the tax roll.
The City received 26.67% of the revenues for fiscal year ended 9/30/2003.

CITY OF DORAL, FLORIDA

PROPERTY TAX RATES

DIRECT AND OVERLAPPING GOVERNMENTS

City of Doral	Miami-Dade County				State			School District			
	Operating Millage	Operating Millage	Debt Service Millage	Total County Millage	SFWMD Millage	FIND Millage	Total State Millage	Operating Millage	Service Millage	Debt Total School Millage	Total
Fiscal Year	City Millage	County Millage	Debt Service Millage	Total County Millage	SFWMD Millage	FIND Millage	Total State Millage	Operating Millage	Service Millage	Debt Total School Millage	Total
2003	2.447	5.969	0.285	6.254	0.597	0.039	0.636	8.418	0.682	9.100	19.523
2004	2.447	5.935	0.285	6.220	0.597	0.039	0.636	8.090	0.597	8.687	19.020

Source: Miami-Dade County Property Appraiser's Office

CITY OF DORAL, FLORIDA

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

Fiscal Year	Total Permits Issued	<u>Residential</u>		<u>Commercial</u>		(1) Total of Construction	County Bank Deposits	City Bank Deposits
		# of Permits	<u>Valuation</u>	# of Permits	<u>Valuation</u>			
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$56,264,000	\$7,441,285
2004	-	-	-	-	-	-	62,368,000	6,431,351

Note: (1) For fiscal years 2003 and 2004, Permits were processed and issued through Miami-Dade County.
The City assumed this responsibility on October 1, 2004.

Source: Bank deposits information from Federal Deposit Insurance Corporation.

CITY OF DORAL, FLORIDA

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2004

	Taxable Valuation	% Total Assessed Valuation
PSBP Industrial Park LTD	\$ 151,696,443	2.91%
West Dade County Associates	131,068,939	2.51%
Koala Miami Real Estate Holdings	90,584,584	1.74%
New World Ventures	82,371,777	1.58%
Acacia Credit Fund	60,766,790	1.17%
AMB Property LTD	53,048,348	1.02%
KSL Hotel Corporation	47,499,500	0.91%
Metropolitan Life	40,500,403	0.78%
Adler Office Associates LTD	39,589,410	0.76%
AMB HTD Beacon Centre LLC	<u>38,771,631</u>	0.74%
	<u>\$ 735,897,825</u>	14.11%

Source: Miami-Dade County Property Appraiser's Office

COMPLIANCE SECTION

**Report of Independent Certified Public Accountants on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards***

Honorable Mayor, City Council and City Manager
City of Doral, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Doral, Florida (the City) as of and for the fiscal year ended September 30, 2004 which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Honorable Mayor, City Council and City Manager
City of Doral, Florida
Page Two

This report is intended solely for the information and use of the Mayor, City Council, management and regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin Cohen & Holtz LLP

Miami, Florida
February 10, 2005

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor, City Council and City Manager
City of Doral, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Doral, Florida (the City) as of and for the fiscal year ended September 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 10, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements. Disclosures in that report, which is dated February 10, 2005, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the City for the fiscal year ended September 30, 2004, we report the following in accordance with Chapter 10.550 Rules of the Auditor General, *Local Government Entity Audits* which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(h):

1. There were no significant findings or recommendations made in the preceding financial audit report.
2. The City was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. There are no recommendations to improve the City's present financial management, accounting procedures, and internal controls.
4. During the course of our audit, other than matters that are clearly inconsequential considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the City:
 - a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, or were discovered within the scope of the audit.

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- b. Made any illegal or improper expenditures that were discovered within the scope of the audit that may materially affect the financial statements.
 - c. Had deficiencies in internal control that are reportable conditions including but not limited to:
 - (1) Improper or inadequate accounting procedures
 - (2) Failures to properly record financial transactions
 - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of the auditor.
5. The City was created pursuant to the constitution of the State of Florida, Home Rule Charter of Miami-Dade County, Article 5, Section 5.05. There are no component units related to the City.
6. a. The City, during fiscal year 2004, was not in a state of financial emergency as defined by Florida Statutes 218.503(1).
- b. The annual financial report for the fiscal year ended September 30, 2004 has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the audited financial statements for the fiscal year ended September 30, 2004.
- c. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. There were no findings that identified deteriorating financial conditions.

This report is intended solely for the information and use of the Mayor, City Council, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin Cohen & Holtz LLP

Miami, Florida
February 10, 2005