**Finance Department**
Office of the Controller
111 NW 1st Street • Suite 2620
Miami, Florida 33128-1995
T 305-375-5080 F 305-375-4966

**miamidade.gov**

ADA Coordination
Agenda Coordination
Animal Services
Art in Public Places
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Aviation
Building
Building Code Compliance
Business Development
Capital Improvements
Citizens' Independent Transportation Trust
Commission on Ethics and Public Trust
Communications
Community Action Agency
Community & Economic Development
Community Relations
Consumer Services
Corrections & Rehabilitation
Cultural Affairs
Elections
Emergency Management
Employee Relations
Empowerment Trust
Enterprise Technology Services
Environmental Resources Management
Fair Employment Practices
**Finance**
Fire Rescue
General Services Administration
Historic Preservation
Homeless Trust
Housing Agency
Housing Finance Authority
Human Services
Independent Review Panel
International Trade Consortium
Juvenile Assessment Center
Medical Examiner
Metro-Miami Action Plan
Metropolitan Planning Organization
Park and Recreation
Planning and Zoning
Police
Procurement Management
Property Appraisal
Public Library System
Public Works
Safe Neighborhood Parks
Seaport
Solid Waste Management
Strategic Business Management
Team Metro
Transit
Task Force on Urban Economic Revitalization
Vizcaya Museum And Gardens
Water & Sewer

April 10, 2006

Honorable Carlos Alvarez, Mayor

Honorable Joe A. Martinez, Chairman and
Members of the Board of County Commissioners

Honorable Harvey Ruvin, Clerk

Mr. George M. Burgess, County Manager

Citizens of Miami-Dade County

Ladies and Gentlemen:

We are pleased to present the Miami-Dade County, Florida (the "County") Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended September 30, 2005, pursuant to Florida State law. The financial statements were prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by the County and paid from its public funds. This report may also be accessed via the internet at **http://www.miamidade.gov/finance/**.

Responsibility for the accuracy and fairness of the presentation, including disclosures, rests with management of the County. We believe the data, as presented, is accurate in all material respects, is presented in a manner designed to fairly set forth the financial position and results of operations of the County, and that all disclosures necessary to enable the reader to gain an understanding of the County's financial activity have been included. Miami-Dade County has established comprehensive internal controls designed to ensure that the County's assets are protected from loss, theft or misuse and adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP"). Because the cost of internal control should not exceed the benefits likely to be derived, the County's internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met.

MIAMI-DADE COUNTY
Delivering Excellence Every Day

The accompanying report consists of three parts:

- The ***Introductory Section***, including this letter of transmittal, provides general information on the County's structure and personnel, as well as other information useful in assessing the County's financial condition.

- The ***Financial Section*** contains the basic financial statements and required supplementary information (including Management's Discussion and Analysis or MD&A), the report of independent certified public accountants, and other supplemental information useful to financial statement users. The MD&A is a narrative required to accompany the basic financial statements. It provides an objective and easy to read analysis of the County's financial activities based on currently known facts, decisions or conditions. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Please reference the chart in the MD&A for a graphical presentation of the new CAFR format.

- The ***Statistical Section*** provides a number of tables of unaudited data depicting the financial history of the County over the past ten years, demographics, and other miscellaneous information.

***Independent Audit***

KPMG, a firm of licensed certified public accountants, has audited Miami-Dade County's financial statements. Separate auditors audited certain of the County's major enterprise funds and the Housing Agency. All audits were performed in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Rules of the Auditor General, State of Florida. The goal of the independent audits was to obtain reasonable assurance as to whether the financial statements were free from material misstatement. The audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The scope of the audits was sufficient to satisfy State, Federal and County Charter requirements. KPMG's opinion resulting from the audit is included in this CAFR.

***Profile of the Government***

Miami-Dade County is located along the southeast tip of the Florida peninsula, bounded by Biscayne Bay and the Atlantic Ocean to the east, Everglades National Park to the west, the Florida Keys to the south, and Broward County to the north. It occupies an area of more than 2,000 square miles, one-third of which is located in the Everglades National Park. The total population served by the County is more than 2.3 million, including approximately one million in its 34 municipalities and the rest in the unincorporated area. Due to its proximity and high volume of travel and trade within the region, Miami-Dade County is often referred to as the "Gateway to Latin America and the Caribbean."

## ***Government structure and services provided***

The State Legislature in 1955 approved and submitted to a general election a constitutional amendment designed to give a new form of government to the County. The amendment was approved in a statewide general election in November 1956. A Dade County Charter Board was constituted and, in April 1957, it completed a draft of a charter for the County. The proposed charter was adopted in a County-wide election in May 1957 and became effective on July 20, 1957 (the "Charter"). The electors of the County are granted power to revise and amend the Charter from time to time by County-wide vote. The County has home-rule powers, subject only to the limitations of the Constitution and general laws of the State. The County has, in effect, a county government with certain powers effective throughout the entire County, including 34 municipalities located within the County, and a municipal government for the unincorporated area of the County. The County has not displaced or replaced the cities, but supplements them.

The County has a Commission-Mayor, Commission, Manager form of government. The Board, which consists of thirteen members elected for a four year term from single member districts, is the legislative and governing body of the County and is responsible for the formation of all policies. The mayor, elected countywide for a four year term, is not a member of the Board, has veto authority over legislative acts, and has the power to appoint the County Manager. The County Manager is the head of the administrative branch of the county government and is responsible for carrying out the policies adopted by the Board. Both the Mayor and the Commission have the power to remove the County Manager, requiring a two-third vote of the Board.

Miami-Dade County provides a full range of services, including, but not limited to, police and fire protection; health services, to include the operation of a major hospital and various neighborhood health clinics; mass transportation; sanitation; water and sewer services; the construction and maintenance of highways, streets and other infrastructure; libraries; correctional facilities; parks, recreational and cultural facilities and events; the operation of an airport system, including an international airport, four general aviation airports and a training airport; and a full service seaport.

The financial reporting entity under which the financial statements are prepared, includes all the organizations, activities and functions for which the County as the primary government is financially accountable.

## ***Budgetary Process and Control***

State of Florida statutes require that all county governments prepare, approve, adopt and execute an annual budget for such funds as may be required by law or by sound financial practices. In compliance with this, the budgets adopted by the County are either appropriated or non-appropriated in nature. Funds that have legally appropriated budgets cannot legally exceed their appropriations. The budgetary controls over funds that have non-appropriated budgets are set by enabling ordinances, such as Bond Ordinances, in which the expenditure authority extends many years into the future.

Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund/department level. Amendments and supplements to the budget require BCC approval. Estimated beginning fund balances available for financing current appropriations are considered in the budgetary process. Budget and actual comparison for the General Fund and the Community and Social Development are presented in the Required Supplementary Information (RSI) section of the CAFR. Budget and actual comparisons for all other governmental funds are presented as supplementary information in the financial section of the report. There is no similar comparison presented for Capital Projects Funds since they are budgeted in the year they are anticipated to be obligated and, in subsequent years, the unused budget is reappropriated until the project is completed.

As an additional control, the County employs an encumbrance system that reduces available appropriations in governmental funds upon issuance of purchase orders, contracts or other forms of legal commitments. Encumbrances at year-end do not constitute expenditures or liabilities, but are accounted for as a reservation of fund balance.

***Cash Management***

To maximize the financial return on all available funds, the Finance Department pursues an aggressive cash management and investment program within the constraints imposed by Florida Statutes and local policies adopted by resolution of the Board of County Commissioners. The County has established an Investment Advisory Committee composed of professionals from the public and private sector. Every quarter, the portfolio performance is presented and reviewed by the Committee.

The County continues to use a cash management consultant to provide expert and professional analysis of the County's cash management performance and to make recommendations on investment strategies to maximize future investment earnings to the County in a non-exclusive basis, while maintaining or increasing the safety of the County's investment portfolio.

The County has an adopted investment policy that applies to all investment of public funds. Cash balances are invested on a daily basis at the best interest rates available in the markets. Investments consist primarily of time deposits in banks approved by the State Treasurer to act as a qualified public depository, United States government treasuries, United States government agencies, commercial paper, bankers' acceptances and repurchase agreements.

For purposes of maximizing the interest-earning yield on short-term investments, cash balances of all funds are pooled, except where separate cash and investment accounts are maintained in accordance with legal requirements. It is the County's policy not to invest in leveraged derivatives. The primary objective of the County's policy is preservation of capital.

During fiscal year 2005, the average investment yield realized by the County was 2.65%. This represents an increase of almost one percentage point, from last year's yield of 1.66%. While the investment earnings have not met forecasted returns, due to Federal Funds Rate remaining low, investment earnings continue to contribute to the attainment

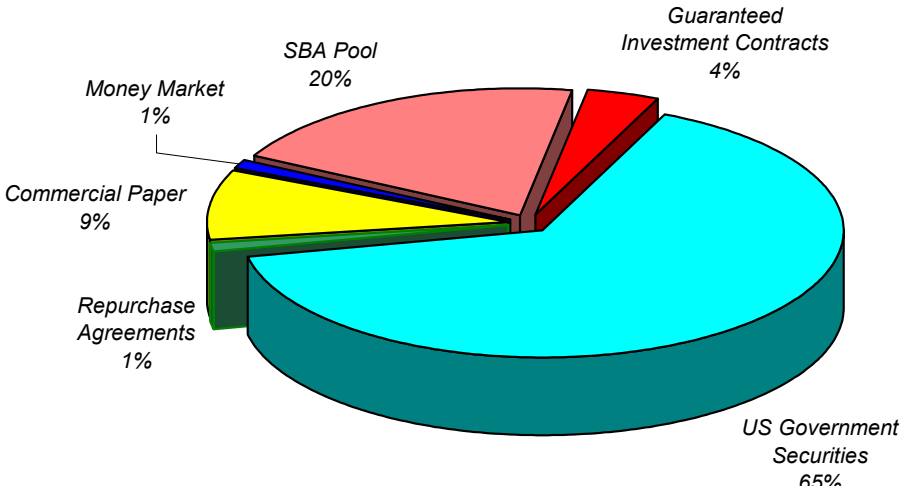
of revenues to meet the many service demand levels identified by the administration and management.

A summary and comparison of treasury activity for the last three fiscal years, not including cash with the fiscal agents and the Public Health Trust, are as follows (in thousands):

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Average Portfolio Balance | $ 3,016,269 | $2,975,815 | $ 3,269,175 |
| Average Investment Yield | 2.65% | 1.66% | 1.82% |
| Managed by the Finance Department | $ 79,789 | $ 49,373 | $ 59,344 |

The following chart summarizes the County's investments, including cash equivalents, at September 30, 2005.

**Cash Equivalents and Investment Types**




The County participates in the United States Treasury Department Minority Bank Deposit Program. This program, which has been in effect for the past eighteen years, requires the County to deposit Federal initiated grants and entitlements and certain State originated monies with local minority owned banks for a period of three working days. The banks in turn, have free use of the funds to make investments or take advantage of the Fed Funds Market and keep all interest earned thereon. However, in all instances, the County's monies are fully collateralized as required by Florida Statutes.

***Long-Term Debt Management***

The County continues to obtain, in an efficient and innovative manner, long-term financing for the construction or acquisition of various long-term assets. It is management's objective to adequately plan and meet the County's comprehensive construction demands for essential capital improvements and equipment, and, at the same time, ensure that the residents of the community are not overburdened with general obligation long-term debt payable from ad valorem taxes.

The County's debt service millage for 2005 for all Countywide bonded indebtedness remained at 0.285 mills. Of the total Countywide millage, .074 mills or 26% is dedicated to the Decade of Progress Program, .117 mills or 41.2% is earmarked for the Criminal Justice Facilities Bond Program, and .094 mills or 32.8% is attributed to the Parks Bond Program. The total millage for all Miami-Dade Fire and Rescue Service District bonded debt service for 2005 decreased to 0.069 mills from 0.079 mills in 2004.

The following chart indicates the principal amortization of the County's general obligation debt in five-year increments.

**General Obligation Debt**
**Principal Amortization**
**In Five Year Increments Following Fiscal Year 2005**
**(in thousands)**

| Fiscal Year | Principal Amortization |
|---|---|
| 2010 | $ 58,625 |
| 2015 | 61,695 |
| 2020 | 65,176 |
| 2025 | 86,545 |
| 2030 | 109,155 |
| Total | $ 381,196 |

In November 2004, voters approved the issuance of general obligation bonds to fund projects for transportation, culture and recreation, protection of property and people, water and sewer projects and general government. A 15-year project timeline has been developed. Over $250 million of debt was issued in 2005 and many projects have begun, with a few already complete.

***Enterprise Operations***

The County operates the following enterprise funds: the Transit Agency, Solid Waste Department, the Seaport Department, the Aviation Department, the Water and Sewer Department, the Public Health Trust, the Rickenbacker Causeway, the Vizcaya Art Museum and certain operations of the Housing Agency. Following is a brief introduction to the County's major enterprise departments.

***Transit Agency***

Miami-Dade Transit ("MDT") operates a unified public transit system consisting of buses, a 22.4-mile above ground heavy rail system and a 4.4 mile automated guide-way system. MDT is one of the largest transit systems in the nation and carries approximately 45% of all transit trips in the State of Florida. Today's MDT has a viable four-mode system—Metrobus, Metrorail, Metromover, and Paratransit—used by nearly 300,000 passengers daily

On November 5, 2002, voters in Miami-Dade County approved a County ordinance proposed by the Board of County Commissioners to levy and impose a one half of one percent Charter County Transit System Surtax for the purpose of funding transit and roadway improvements in Miami-Dade County. The Peoples Transportation Plan (PTP) listed specific transit and roadway improvements to be supported by the proposed half-cent surtax. The Charter County Transit System Surtax may be used for both transit and roadway improvements as well as to meet capital and operating needs.

Eligible application of the proceeds of the Surtax includes bus service improvements, fixed guideway, rapid transit improvements, major highway and road improvements as well as neighborhood improvements. Changes to County projects detailed in the PTP must go through the Citizens' Independent Transportation Trust and ultimately be approved by the County Commission. Additionally, 20% of the sales tax proceeds shall be distributed annually to municipalities in Miami-Dade County in existence at the time the tax was adopted, based upon a pro rata share determined by population for transit improvements.

***Solid Waste***

The Solid Waste Department ("SWD") provides solid waste collection and recycling services to residential customers in the unincorporated area of Miami-Dade County and countywide disposal of solid waste collected by County and private waste collection companies. Solid Waste is the largest government owned and operated waste collection and disposal system in the southeastern United States. In addition to providing waste collection and recycling services to over 300,000 households, the Department owns and operates one of the most technologically advanced waste-to-energy facilities in the world.

***Seaport Department***

The Seaport Department operates the Dante B. Fascell Port of Miami-Dade ("Port"). The Port is the largest cruise port in the world, among the top five container cargo ports serving the Caribbean and Latin American Regions and ranks nationally in the top ten ports. The Port continues to realize growth and its financial initiatives.

***Aviation Department***

The Miami-Dade County Aviation Department ("MDAD") operates the Miami International Airport ("MIA"), as well as four general aviation airports and one training and transition airport. The general aviation airports provide a significant role as they serve to alleviate traffic at MIA. MIA is currently ranked number one in the U.S. for international freight and third for international passengers. Miami International Airport's (MIA) annual impact on local tourism, cruise, international banking, trade and commerce is approximately $20 billion. MIA and related aviation industries contribute 242,387 jobs directly and indirectly to the South Florida economy. That equates to one out of 4.3 jobs.

***Water and Sewer Department***

The Miami-Dade County Water and Sewer Department ("WASD") operates the County's water and wastewater systems. The WASD's water system, considered the largest water utility in the Southeast United States, serves approximately 401,000 retail customers and fifteen wholesale customers within the County. The wastewater system serves approximately 316,000 retail customers and twelve wholesale customers.

***Public Health Trust***

The Public Health Trust was created in October 1973 to provide for an independent governing body responsible for the operation, governance, and maintenance of designated health facilities. Some of these include the 1,498 bed general acute care hospital (Jackson Memorial Hospital), a 60 bed maternity hospital, a 199 bed hospital in South Miami Dade, a 180 bed and a 163 bed nursing homes, and several primary care centers and clinics throughout Miami-Dade County. Jackson Memorial is affiliated with the University Of Miami School Of Medicine and is one of the largest of the six statutory teaching hospitals in Florida.

On September 3, 1991, the voters of the County approved the imposition of a one-half cent discretionary sales surtax (the "Healthcare Surtax"). The Surtax proceeds are considered unrestricted tax revenue of the Trust and shall be used only for the operation, maintenance and administration of Jackson Memorial Hospital. Additionally, the enabling legislation requires that in each year that the Healthcare Surtax is collected, the County must continue its maintenance of effort contribution, which was capped at 80% of the 1991 general fund contribution.

Jackson Memorial Hospital is a nationally recognized hospital, consistently ranking in the top 25 hospitals nationwide in many categories.

***Risk Management***

The County administers a self-insurance program for workers' compensation, tort liability, property, and group health and life insurance programs, subject to certain stop-loss provisions. An independent administrator administers the health and life insurance programs. The County funds the program on an annual payout basis. Insurance coverage is maintained with independent carriers for property damage to County facilities. The County maintains no excess coverage with independent carriers for workers' compensation and general liability.

***Factors Affecting Financial Condition***

The information presented in the financial statements primarily focuses on the County's financial position, as measured by its existing resources and claims on those resources. However, the County's financial condition is best understood when the focus is on both existing and future resources and potential claims on those resources. This broader concept is used to assess its financial condition, which reflects the current financial position as well as the prospects that today's financial position will improve or deteriorate. To achieve this objective, the County utilizes a wide range of information, including the local economic condition and outlook; long-term debt management; capital construction management; cash management and investments; and risk financing.

## ***ECONOMIC CONDITION AND OUTLOOK***

Last year's economic condition and outlook ended with a forecast that the 2005 fiscal year would be a strong year with respect to the economy. Overall, this forecast was accurate. The national economy continued its positive trend from prior year, reporting an annual growth of 3.5% over the previous year. Miami-Dade's economy was consistent with this, with excellent performance in most of the leading economic indicators. This was especially true for international trade, the visitor industry, and consumer spending.

The economic drivers of Miami-Dade's economy, the visitor industry and national and international trade and commerce, achieved very high activity levels during fiscal year 2005 setting all time records. A robust national economy, coupled with improving economic conditions in the global economy, particularly in Europe and Latin America, continued to positively impact the number of visitors and the volume of exports. Total employment continued its steady expansion, which contributed to the continued reduction in the unemployment rate. As will be discussed below, the County is expected to benefit from the national economy's continued expansion.

## ***EMPLOYMENT***

The increase of 22,600 in agricultural wage and salary employment topped last year's increase of 15,000. For the third consecutive year, the unemployment rate declined, averaging 4.9% for the year compared to 5.7% in 2004.

Consistent with prior years, professional and business services added the most jobs, 9,700, and had the highest rate of growth at 6.4%. Other industries with positive growth during fiscal year 2005 were: leisure and hospitality with 5,200 jobs, or an increase of 5.4%, other services with 1,300 jobs, or a 3.0% increase, construction with 1,000 jobs, or a 2.4% increase, and educational and health services with 3,100 jobs, or a 2.3% increase. Wholesale trade and information had a net increase of 1,600 and 600 jobs, or a 2.2% gain, respectively. Financial activities and total government had slight increases of 900 or 1.3%, and 800 or 1.0%, respectively.

Manufacturing posted the largest job loss with 600 jobs lost, representing a 1.2% decline. This was followed by decreases in warehousing, and utilities, and the retail trade with slight decreases of 600 and 400, respectively.

Along with the gains in total employment, over 600 new business establishments of all types were recorded during the 2005 fiscal year, a 0.8% increase over the 2004 fiscal year. At the same time, the 2005 median family income increased by $950 to reach $46,350, a 2.1% advance from the prior year.

### ***Construction Management***

The County's current six year Capital Improvement Plan covering the period from October 1, 2005 through September 30, 2011 highlights 873 projects with an estimated cost of over $18.8 billion. Of this amount, 58.55% represents the transportation strategic area, with aviation improvements, comprising 48.4% and transit improvements representing 37.8%

of the multi-year transportation program costs. Capital projects in the Neighborhood and Unincorporated Area Municipal Services strategic area comprise 21.8% of the total spending plan with approximately 66.4% attributable to the Water and Sewer Department.

Major capital projects for FY 2005-06 include:

- land acquisition, planning, design, and construction of projects in the Building Better Communities General Obligation Bond Program,
- planning, design, and construction of People's Transportation Plan projects by Miami-Dade Transit and the Public Works Department,
- planning and design for a new Children's Courthouse,
- construction of the Miami International Airport North Terminal,
- construction of the Miami Intermodal Center at Miami International Airport,
- improvements to the water distribution system,
- upgrades to the wastewater treatment system,
- construction of various fire stations,
- sidewalk, drainage road surfacing, and park improvements as the Quality Neighborhood Improvement Program is being completed,
- dredging at the Seaport,
- construction of new branch libraries,
- the Performing Arts Center and South Miami-Dade Cultural Center,
- park facilities sewer upgrades,
- Safe Neighborhood Parks projects,
- various drainage projects,
- public housing improvements including Scott/Carver Homes Modernization,
- Community Development Block Grant funded projects,
- Americans with Disabilities Act barrier removal projects, and
- information technology projects targeting customer service.

The Building Better Communities General Obligation Bond Program, approved by the electorate in November 2004, is in the beginning stages. A 15-year project timeline has been developed that has incorporated all $2.926 billion of this program into the FY 2005-06 Capital Improvement Plan. Over $250 million of debt was issued in 2005 and many projects have begun with a few already complete.

The Safe Neighborhood Parks Program, approved by the electorate in November 1996, is nearing completion. Improvements totaling $125 million are programmed for Miami-Dade County. To date, all of the bonds authorized have been issued.

The Quality Neighborhoods Improvement Program continues with funding of approximately $240 million. The Board of County Commissioners approved $144 million in FY 1998-99, $60 million for FY 2000-01, $3.6 million in FY 2001-02, and another $32.5 million FY 2003-04. The program addresses infrastructure needs in older urban neighborhoods and high growth areas. Improvements include among others, construction of new sidewalks and repairs to existing sidewalks, local and major drainage improvements, roadway resurfacing, and park facility improvements

Implementation of the capital portion of the People's Transportation Plan continues with $107.76 million of Transit projects, $66.368 million of Public Works projects, and $35.321 million of municipal projects planned for FY 2005-06.

The Local Option Gas Tax Program continues to be allocated for projects benefiting the unincorporated area as well as countywide projects.

Funding sources for capital improvement expenditures can be broken down as follows: (in thousands)

| | Fiscal Year 2006 | | Multi-Year Plan | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Debt Proceeds | $ 1,806,976 | 73.2% | $ 12,228,264 | 65.0% |
| County Proprietary Operations | 97,952 | 4.0% | 1,205,951 | 6.4% |
| Federal | 196,427 | 8.0% | 2,609,414 | 14.0% |
| State | 91,685 | 3.7% | 1,149,381 | 6.1% |
| Impact Fees and Contributions | 62,532 | 2.5% | 637,208 | 3.4% |
| Gas Taxes | 32,914 | 1.3% | 271,542 | 1.4% |
| Other | 179,530 | 7.3% | 704,093 | 3.7% |
| Total | $ 2,468,016 | 100.0% | $ 18,805,853 | 100.0% |

Capital improvement expenditures by program area can be broken down as follows (in thousands):

| | Fiscal Year 2006 | | Multi-Year Plan | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Protection of People and Property | $ 126,546 | 5.1% | $ 582,501 | 3.1% |
| Transportation | 1,338,463 | 54.2% | 11,010,911 | 58.6% |
| Culture and Recreation | 219,572 | 8.9% | 1,787,666 | 9.5% |
| Health and Human Services | 142,718 | 5.8% | 789,055 | 4.2% |
| Internal Support and General Government | 639,218 | 25.9% | 4,616,121 | 24.5% |
| Economic Development | 1,499 | 0.1% | 19,599 | 0.1% |
| Total | $ 2,468,016 | 100.0% | $ 18,805,853 | 100.0% |

## ***REAL ESTATE MARKET***

Traditionally, the real estate sector in Miami-Dade County has been viewed as one of the critical measures of the County's economic health. In fiscal year 2005 while the market for existing homes remained strong, sales declined by 4.8% from last year. In addition, there are indications that sales of existing condominiums followed with similar trends from the prior year. Generally, this downward trend can be attributed to a lessening in overall demand driven by escalating home prices and somewhat to the rise in mortgage interest rates, causing the market to slow down from its strong pace during the last five years.

Along with the continuous increases to short term rates by the Federal Reserve over the nearly past two year period and its measured approach to control inflation, long-term rates such as mortgage rates have moved upwards a bit in the past twelve months. The average home mortgage rate increased slightly from 5.7% to 5.8% during the 2005 fiscal year. These rates coupled with an abnormal level of housing price appreciation have made it to some extent more difficult for households to purchase a home, especially when the cost of housing has been rising faster than income. At the same time, the consumer inflation rose by 4.1% in fiscal 2005, the largest rate in seven years, compared to 2.5% the year before.

The construction employment increase was evident in the high level of home construction activities. The number of building permits for residential units was up by 22.7% or 23,000 units for fiscal 2005 compared with 18,700 units in 2004. Similarly, construction expenditures in housing units increased 34.8% from $1.95 billion to $2.63 billion during the same period. This could have been partially the result of higher costs of building material over the past year. The high residential construction activities may decrease in the year to come as the hot housing market cools off a little.

In fiscal year 2005, the average sales price for existing single-family homes in Miami-Dade increased to $329,008, up 27.3% from the same period a year earlier. That is more than six and a half times higher than the change in the consumer price index for the period. Price fluctuations for multifamily units such as condos are often difficult to explain as it may be driven by the large foreign buyer segment. The consensus among real estate analysts is that market-pricing changes for condominiums during the past twelve months followed a pattern similar to single-family homes, but at a lower appreciation rate. For the year ahead, housing prices are expected to increase at a moderate rate as a slowdown in homes sales will help the housing inventory reach a level somewhat close to what is considered desirable for price stability.

Following a year of modest changes in office market conditions, the commercial real estate market showed increased leasing and sales activities during fiscal 2005. The additions to existing office space (square footage) decreased slightly from 41.1 million to 40.9 million or 0.6% decline from 2004, but the overall office vacancy rate improved with a decline from 15.8% to 12.5%. While the overall net absorption (972,346 square feet)

improved marginally from the 2004 figure (958,641 square feet), or 1.4% increase, leasing activity for 2005 totaled 4.1 million square feet, or 46.8% increase from the previous year. This latter fact is indicative of a significant demand for office space, primarily from an increase in professional and business services employment. Sustained population growth and better business conditions continue to fuel demand for office and other commercial activities. Concurrent with these trends, land-based phone lines declined by 6.2% from the lines installed a year ago. This was due in part to recent hurricanes, but more importantly to the trend of people using cell-phones instead of traditional phone lines. New electrical connections to businesses were up by 1.9%.

In the banking and finance arena, for fiscal year 2005 the number of commercial banks declined slightly from 66 to 64, but total deposits increased to $58.1 billion, a 12.9% increase from the prior year. The number of thrift institutions remained the same at 12, while total deposits advanced to $12.1 billion, or a 10.9% increase from fiscal 2004.

## ***SALES INDICATORS***

Consumer activity, as measured by taxable sales, was strong in fiscal year 2005, probably reflecting a higher level of confidence on the part of the consumer. Total taxable sales increased by 11.5%. As was true in fiscal 2004, this indicator in Miami-Dade County was below the statewide average. In fiscal 2005, there was an across-the-board increase in all-major categories from the 2004 figures. Total retail sales rose by 11% over fiscal 2005. A strong 17.7% jump in Consumer Durables and an 11.8% increase in Autos and Accessories contributed to the area's retail sales increase. These increases followed by 9.9% and 8.9% in Consumer Non-Durables and Tourism and Recreation, respectively. This increased performance was reflected in Miami-Dade's Index of Retail Activity, which moved up 9.3% during the same period. Similarly, the same index, at the state level, displayed a 9.8% gain.

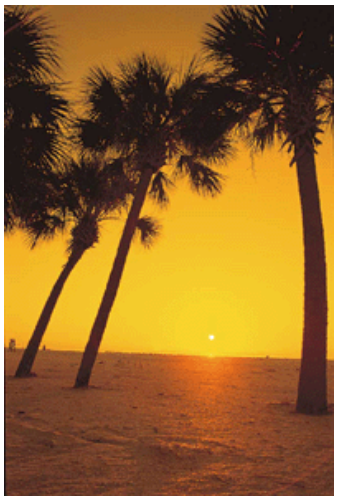
## ***INTERNATIONAL TRADE AND COMMERCE***

The 2005 fiscal year was an extraordinary one for international trade, with large increases in both exports and imports. Trade and commerce reported a volume of merchandise trade through the Miami Customs District totaling nearly $66 billion, the highest ever. This represents a 12.2% increase in total trade in contrast with the 10.7% gain in 2004. Imports were up by 10.3% compared to the 8.5% increase recorded a year earlier. Exports had an even better year with an increase of 14.1% compared to a 13.2% during the prior fiscal year. Most U.S. goods are exported from the Miami Customs District to South America, Central America, and the Caribbean. Improved economic conditions in most of the countries in these regions, along with relatively stable currencies against the dollar, contributed to the increase of exports.

Two of Miami-Dade County's barometers of trade activity are the freight tonnage moving through Miami International Airport ("MIA") and the Seaport of Miami ("the Seaport"). At

MIA, for the year 2005, international freight figures were up 2.0%, while domestic freight tonnage handled was down by about 1.0%. At the Seaport, cargo tonnage figures were up 2.6%. Most trade experts are very optimistic regarding international commerce and predict a positive growth in the year to come. This is based on the expectation that economic growth in Latin America will continue to improve and that trade with Europe, South America, and Asia will increase.

***TOURISM***



The 2005 fiscal year proved to be a very good year for tourism for Miami-Dade County, despite hurricanes that directly hit the County. For the fourth-consecutive year, an increase in tourism was reported, with a visitor growth of 3.1% to the Miami-Dade area. In total, close to 11.3 million people visited the Miami-Dade County in fiscal 2005 surpassing the 11.1 million overnight visitors recorded in 2000. Visitor satisfaction with their stay continued at high levels indicating higher consumer confidence, upgraded and expanded hotels, attractions, and great beaches. The factors in attracting more visitors are the result of a successful marketing campaign by the Greater Miami Convention and Visitors Bureau to promote local tourism and the strategy to target vacationers from within the U.S., especially the Northeast.

In 2005, visitors spent $13.9 billion, an increase from $12.3 billion of total expenditures in 2004, reflecting successful targeting of a more upscale visitor market. The number of domestic visitors was up 6.2% to a record number of 6.1 million. International visitors, consistent with last year, remained at 5.2 million. This reflected a visitor market mix of 53.6% domestic and 46.4% international. The strong results of the domestic visitors in Miami-Dade are attributed to a strong travel market nationwide.

Passenger traffic at Miami International Airport ("MIA") increased 2.2% from last year. This increase is comparable to the 2.4% increase in 2004. The increase consists of an increase in domestic passengers of 2.3% and 2.1% in international passengers. Considering the opening of the new South Terminal at MIA later this year, expectations for MIA for 2006 are good. The Airport's experience was also shared at the Port of Miami, where the number of cruise passengers increased by 3.0%.

Hotels have benefited from the increase in passengers. During 2005, the year-round hotel occupancy rate of 72.6% surpassed the records set in 2000. The average room rate increased to $128.35 in 2005, from $115.10 in fiscal year 2004. This demonstrates the industry's ability to attract more visitors. The entry of more luxury hotels in recent years has helped tourism officials brand Miami-Dade County as a more upscale destination. However, the peak of hotel bookings activity may be affected by the loss of a large number of rooms as a result of construction and renovation at some of the area's major hotels.

## ***FUTURE OUTLOOK***

After a year of good results, the future economic outlook for fiscal 2006 should remain positive for Miami-Dade County. This is the consensus of the majority of analysts and economists who are fairly optimistic regarding Miami-Dade's economy in the year to come.

The positive future outlook is attributed to the area's strengths in tourism and trade. It is expected that the indicators associated with these two sectors will continue to improve, as the economies of its major trading partners, such as Brazil, Argentina, and Venezuela continue to rebound.

For the important segments of this economy, such as real estate, consumer spending, merchandise trade, and transportation, predictions call for continued job growth but at somewhat smaller gains in the coming year. Based on U.S. economic strength, the number of employed workers is expected to advance modestly but at a solid pace and there is anticipation that unemployment will be lower. The real estate boom is showing signs of losing some of its steam as mortgage interest rates are expected to rise. State and local public infrastructure construction projects and hurricane repairs, are factors that will keep construction employment at least at current levels. Expenditures related to the $2.9 billion bond authorization approved by voters in 2004, as well as the Civic Center redevelopment and the completion of the first Performing Arts Center, are projects promising to enhance the area's economic growth. Despite increasing labor costs, business and capital investment are expected to be solid. Consumer confidence levels rose throughout fiscal 2005 but there is a possibility that higher interest rates will lead consumers to cut back on purchases and be more cautious in their spending. Volume levels in merchandise trade are most likely to continue on an upward path as they depend on the growth of the U.S. economy, U.S. exports to the Caribbean and Latin America, and the expected economic improvement of the region.

Although the prospects appear reasonably good for 2006, close attention to concerns affecting the Miami-Dade economy, such as relatively higher consumer prices, higher healthcare costs, slow growth in personal income, higher housing prices, a somewhat weak public education system, and a relatively unskilled workforce coupled with a poor mix of jobs in terms of wages and salaries need to be addressed. Local politicians and business leaders are attempting to deal with these issues and provide solutions through continued efforts to reform and reshape the local economy.

In summary, fiscal year 2006 is foreseen as a good year for Miami-Dade County and its most vital industries, including trade, transportation, tourism, and real estate. All things considered, if interest rates and consumer prices do not climb too high, economic expansion should continue at a respectable pace in a fashion similar to the growth experienced in 2005.

## ***Certificate of Achievement***

For the twenty-fifth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Miami-Dade County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2004. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. The attainment of this award represents a significant accomplishment by a government and its financial management.

In order to be awarded a Certificate of Achievement, the County has to publish an easily readable and efficiently organized CAFR, whose contents conform to established program standards. Such comprehensive reports must satisfy both generally accepted accounting principles and applicable legal requirements. To earn a Certificate of Achievement, a government must demonstrate a constructive spirit of full disclosure to clearly communicate its financial story, while enhancing the understanding of the logic underlying the traditional governmental financial reporting model.

An impartial Special Review Committee composed of other government officers, independent certified public accountants, educators, and others with particular expertise in government accounting and financial reporting, evaluated the County's 2004 CAFR. We believe that the 2005 CAFR we are submitting to the GFOA continues to conform to the high standards of the Certificate of Achievement Program.

## ***Acknowledgements***

The preparation and completion of this CAFR represents the culmination of numerous processes performed by many of the accountants throughout the County departments, and of the continued excellent cooperation and assistance of all of the accounting firms associated with the audit of the County's operations. We would like to thank the Research Section of the Department of Planning and Zoning for providing the information regarding our economy. In particular, we wish to express our appreciation to the staff of the Finance Department who were responsible for compiling and collating the data comprising this report, for developing our underlying financial accounting theory, and for achieving the highly respected Certificate of Achievement award.

Finally, your guidance and cooperation in planning and conducting the financial affairs of the County in a responsible and progressive manner is greatly appreciated.

Respectfully submitted,

**RACHEL BAUM**
Finance Director

**GRACIELA CESPEDES**
Deputy Finance Director