

## MIAMI-DADE COUNTY, FLORIDA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The following narrative provides an overview of Miami-Dade County's (the "County") financial activities for the fiscal year ended September 30, 2007. Comparative information is provided in this year's report. This narrative should be read in conjunction with the letter of transmittal at the front of this report and the financial statements and accompanying notes, which follow this section. Additional information is provided in this narrative and the accompanying notes to the financial statements.

For the fiscal year ended September 30, 2007, the County's governmental activities and aggregate remaining fund information received a qualified opinion from its independent auditor due to an adverse opinion issued by the Miami-Dade Housing Agency (MDHA) independent auditor for the separately issued MDHA financial statements.

Further, the auditor's report was adverse for MDHA's General Fund, Section 8 and Homeless Programs Fund, the Low Income Housing Program Fund and the non-major governmental funds (all of which are combined to represent the Other Housing Programs, a non-major governmental fund in the County's CAFR) and the Section 8 Special Allocation Fund and Mixed Income Housing Fund (which are combined to represent the Housing Agency Public Housing Division- Enterprise Fund, a non-major enterprise fund in the County's CAFR) as well as MDHA's governmental activities and business-type activities.

The County's financial statements reflect the restatement of beginning balances as a result of the MDHA audit. Refer to Note 11 for the detail of the adjustments. On October 26, 2007, the United States Department of Housing and Urban Development (US HUD) took possession of the MDHA. Refer to Note 2 for an explanation of the takeover and Work Plan in place for the County to regain control of MDHA.

#### **Financial Highlights for Fiscal Year 2007**

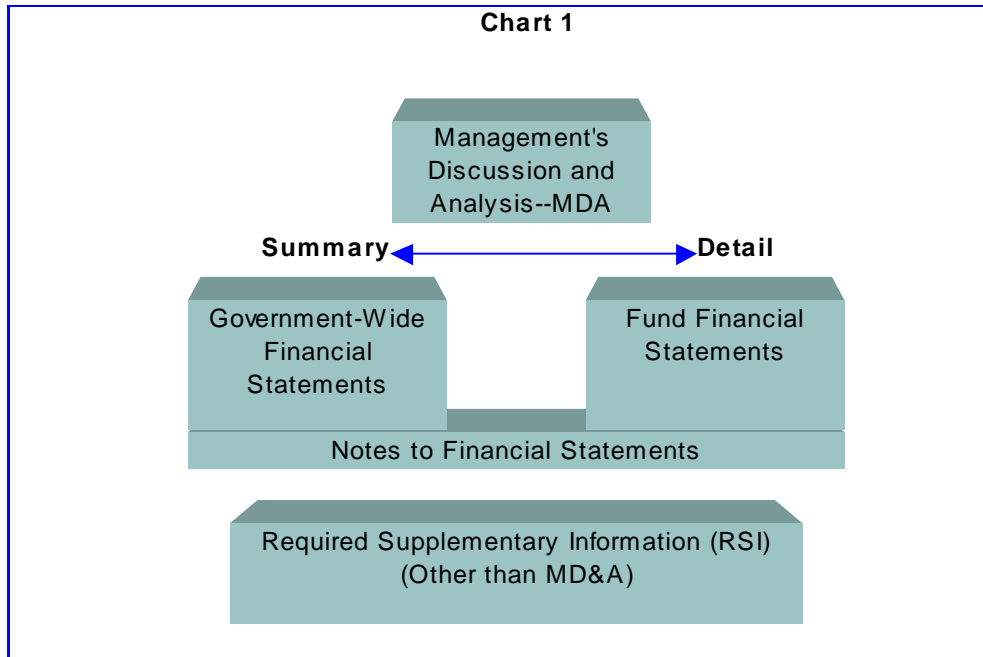
- ❑ At September 30, 2007, the County's assets exceeded its liabilities by \$7.9 billion (net assets). Of this amount, \$4.9 billion was invested in capital assets, net of related debt. Additionally, \$2.4 billion was restricted by law, agreements, debt covenants or for capital projects. The County had unrestricted net assets of \$582 million at September 30, 2007.
- ❑ During the fiscal year 2007, net assets increased by \$250 million. Of this increase, \$107 million was in business-type activities and the remaining increase of \$143 million was in governmental activities.
- ❑ Total long-term liabilities had a net increase of \$453 million during the fiscal year. This was due to the issuance of \$944.7 million of Revenue Bonds; \$367.2 million of Special Obligation Bonds; \$52 million of loans; offset by a net reduction of principal and other liabilities of \$911 million.
- ❑ At September 30, 2007, the County's governmental funds had fund balances totaling \$2.027 billion. Of the total fund balance, approximately \$1.241 billion or 61% was unreserved. The net change in fund balances during the year was an increase of \$135 million.

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- At September 30, 2007, the General Fund had a fund balance of \$404.9 million, representing an increase of approximately 10% from the previous year. Of the total fund balance, approximately \$183.9 million was unreserved.

### Overview of the Financial Statements

This report has been prepared in accordance with Governmental Accounting Standard Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The Statement requires that the basic financial statements include: 1) *government-wide* statements, 2) *fund* financial statements, and 3) notes to the financial statements. Other supplementary information and statistical data is also included in the report. A graphical illustration is presented below—Chart 1.



The GASB Statement No. 34 reporting model focuses attention on the County as a whole (government-wide) and on the major individual funds. Both perspectives allow the user to address relevant questions, broaden the basis for comparison and enhance the County's accountability.

**Government-wide statements.** Two government-wide statements are presented: the *statement of net assets* and the *statement of activities*. These statements provide information on the County as a whole using the accrual basis of accounting similar to those of private-sector companies. The accrual basis of accounting recognizes increases or decreases in economic resources as soon as the underlying transaction takes place. Therefore, all of the current year's revenues and expenses are reported regardless of when cash is received or paid. The economic resources measurement focus is applied to all long-term and short-term *financial* assets and liabilities, as well as

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all *capital* assets. These statements include the County and its component units, except for funds that are fiduciary in nature.

The *Statement of Net Assets* presents information for all of the County's governmental and business-type activities. Increases or decreases in net assets may be useful in assessing the County's financial position.

The *Statement of Activities* presents the change in net assets over the fiscal year being reported. The format for this statement reports the *net (expense) revenue* of each of the County's functions (groups of related activities which provide a major service). It identifies the extent to which each function is either self-supporting or relies on general revenues of the County. The County's *general revenues*, such as taxes, shared revenues from the State of Florida, investment earnings, and transfers, are reported after the total net expense of the County functions.

In the government-wide statements, financial information is provided separately for:

- ❑ *Governmental activities*. Policy Formulation and General Government, Protection of People and Property, Culture and Recreation, and Physical Environment are examples of governmental activities. These activities are principally supported by general revenues, grants or contributions.
- ❑ *Business-type activities*. The operations of the Airport, the Seaport, the Water and Sewer Department, the Solid Waste Department, the Transit Department and the Public Health Trust are the County's major business-type activities. These activities are financed in whole or in part by fees charged to external users for goods and services.
- ❑ *Component units*. Component units are legally separate entities for which the County is financially accountable. The Miami-Dade Housing Finance Authority and the Jackson Memorial Foundation are the County's component units.

**Fund financial statements.** Fund financial statements have traditionally been presented in the Comprehensive Annual Financial Report (the "CAFR"). A *fund* is a set of self-balancing accounts that are segregated for the purpose of carrying on specific activities or attaining certain objectives, as required by special regulations, restrictions or limitations. The Miami-Dade County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- ❑ *Governmental funds*. Governmental funds account for most of the County's basic services, which are reported as governmental activities in the government-wide statements. Fund statements, however, use the modified accrual basis of accounting and current financial resources measurement focus. The aim of the statements is to report the near-term (current) inflows and outflows, and the balances of spendable financial resources at the end of the fiscal year. The statements provide a short-term view of the County's ability to finance its programs in the near future, in contrast to the long-term view provided by the government-wide statements. To facilitate comparison, reconciliations are presented for the governmental funds' balance sheets and statements of

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revenues, expenditures and changes in fund balance to the government-wide statements.

The governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance include separate columns for the County's major fund, the General Fund, and Other Governmental Funds in the aggregate. Individual fund statements for the Other Governmental Funds are included in the combining statements in the supplementary information section of the CAFR.

- **Proprietary funds.** Proprietary funds are those funds where the County charges a user fee in order to recover costs. The County's proprietary funds are enterprise funds and internal service funds.
  1. *Enterprise funds* are used to finance and account for the acquisition, operation and maintenance of facilities and services that are intended to be entirely or predominantly self-supporting through the collection of charges from external customers. Enterprise funds are used to report the same activities as the business-type activities in the government-wide financial statements. The County has six major enterprise funds.
  2. *Internal service funds* are used to report any activity that provides goods and services to other funds, departments, or agencies of the County, on a reimbursement basis. The County's Self-Insurance Fund is an internal service fund. In the statement of activities, any profit or loss in the Self-Insurance Fund is allocated back to the different functions that participated in the fund. Because the Self-Insurance Fund predominantly serves the government, assets and liabilities of the Self-Insurance Fund are included within the governmental activities in the statement of net assets.
- **Fiduciary funds.** Fiduciary funds are used to report assets held in a trustee or agency capacity for others. The County currently has funds held in an agency capacity for the Clerk of the Circuit and County Court and the Tax Collector, as well as other funds placed in escrow pending distributions. The County also has a Pension Trust Fund that accounts for the Public Health Trust Defined Benefit Retirement Plan. These funds cannot be used to support the County's own programs, and therefore, are *not* reflected in the government-wide financial statements.

**Notes to the financial statements.** The notes include various disclosures to ensure a complete picture is presented in the financial statements. They provide information useful in understanding the data presented in the government-wide and fund financial statements.

**Other information.** This report also includes as required supplementary information a schedule of revenues, expenditures and changes in fund balances – budget and actual, for the General Fund and additional disclosures for the Public Health Trust Pension Fund. Combining and individual fund statements and budget comparisons for nonmajor funds are located in the pages following the notes to the financial statements.

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## Financial Analysis of the County as a Whole

The difference between a government's assets and its liabilities is its *net assets*. The County's net assets are summarized below:

Table 1  
Miami-Dade County  
Summary of Net Assets  
(in millions)

	Governmental activities		Business-type activities		Total primary government		Total percentage change
	2006 (Restated)	2007	2006 (Restated)	2007	2006 (Restated)	2007	2006-2007
Current and other assets	\$ 3,590	\$ 3,843	\$ 3,458	\$ 3,311	\$ 7,048	\$ 7,154	1.5%
Capital assets	3,421	3,592	10,042	10,458	13,463	14,050	4.4%
<b>Total assets</b>	<u>7,011</u>	<u>7,435</u>	<u>13,500</u>	<u>13,769</u>	<u>20,511</u>	<u>21,204</u>	3.4%
Long-term debt obligations	2,886	3,134	7,701	7,905	10,587	11,039	4.3%
Other liabilities	1,518	1,551	776	734	2,294	2,285	-0.4%
<b>Total liabilities</b>	<u>4,404</u>	<u>4,685</u>	<u>8,477</u>	<u>8,639</u>	<u>12,881</u>	<u>13,324</u>	3.4%
Net assets:							
Invested in capital assets, net of related debt	1,862	1,798	3,959	3,101	5,821	4,899	-15.8%
Restricted	1,019	1,185	897	1,214	1,916	2,399	25.2%
Unrestricted	(274)	(233)	167	815	(107)	582	643.9%
<b>Total net assets</b>	<u>\$ 2,607</u>	<u>\$ 2,750</u>	<u>\$ 5,023</u>	<u>\$ 5,130</u>	<u>\$ 7,630</u>	<u>\$ 7,880</u>	3.3%

Net assets may be used to assess the financial position of the County. The County's combined net assets as of September 30, 2007 were \$7.880 billion. Approximately 62%, or \$4.899 billion, of the County's net assets represent investment in capital assets, net of outstanding related debt. These assets include land, buildings, machinery and equipment, and infrastructure, and are not available for future spending. Additionally, \$2.399 billion are restricted net assets and are subject to external restrictions on how they may be spent.

At September 30, 2007, the County had unrestricted net assets of \$582 million. The governmental activities unrestricted deficit of \$233 million is primarily due to the liability for County employees' compensated absences of \$361 million and the Self-Insurance Fund's deficit of \$55 million.

The increase in net assets of business-type activities of \$107 million is attributed to increases in net assets of Solid Waste, Aviation, Water and Sewer and offset by a decrease in net assets of the Transit fund, Seaport, and the Public Health Trust. More detailed information on these changes may be found in the Financial Analysis of the County's Funds section of the MD & A.

Net assets reflect prior period adjustments that restate previous years' balances of governmental activities by \$29.614 million and business-type activities by \$1.296 million, related to the Housing programs. Refer to Note 11 for details of adjustments.

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**Table 2**  
**Miami-Dade County, Florida**  
**Changes in Net Assets**  
**(in millions)**

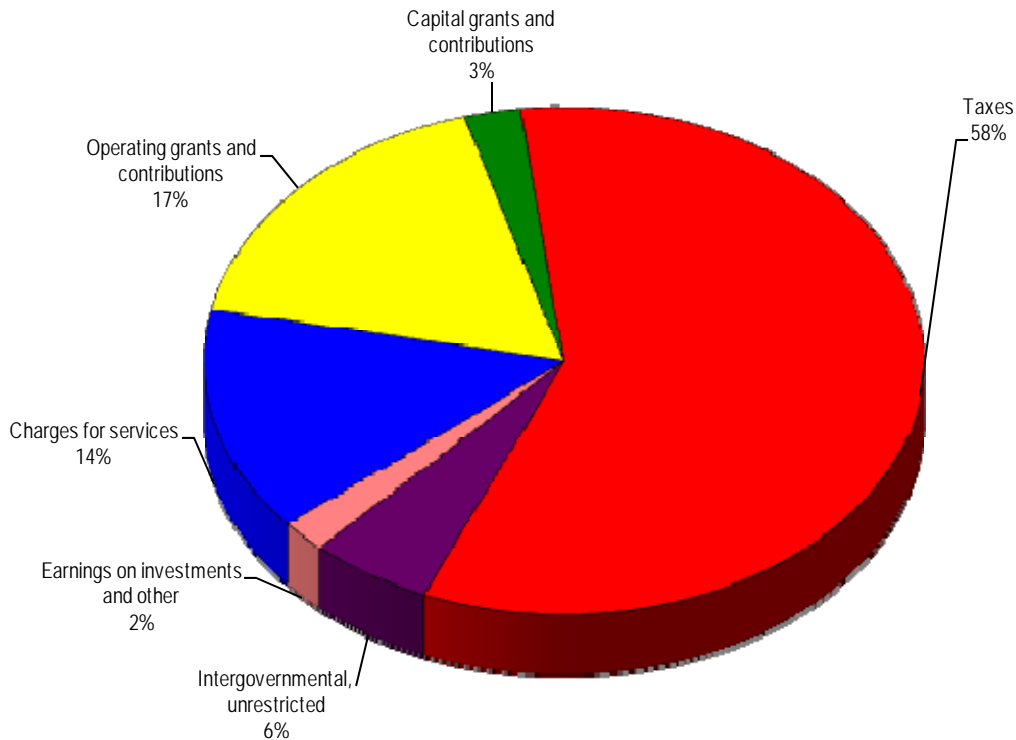
	Governmental activities		Business-type activities		Total primary government		Total %change
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006-2007</u>
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 609	\$ 612	\$ 2,585	\$ 2,749	\$ 3,194	\$ 3,361	5.2%
Operating grants and contributions	889	739	182	164	1,071	903	-15.7%
Capital grants and contributions	237	108	216	200	453	308	-32.0%
General revenues:							
Property taxes	1,505	1,759			1,505	1,759	16.9%
County hospital 1/2% sales surtax	190	191			190	191	0.5%
Transportation 1/2% sales surtax	190	191			190	191	0.5%
Utility taxes	68	70			68	70	2.9%
Local option gas taxes	62	61			62	61	-1.6%
Franchise taxes	39	52			39	52	33.3%
Communication tax	50	53			50	53	6.0%
Other taxes	101	106			101	106	5.0%
Intergovernmental revenues, unrestricted	235	235			235	235	
Earnings on investments	35	48	114	113	149	161	8.1%
Miscellaneous	7	40	8	5	15	45	200.0%
<b>Total revenues</b>	<u>4,217</u>	<u>4,265</u>	<u>3,105</u>	<u>3,231</u>	<u>7,322</u>	<u>7,496</u>	2.4%
<b>Expenses:</b>							
Policy formulation and general government	457	561			457	561	22.8%
Protection of people and property	1,287	1,363			1,287	1,363	5.9%
Physical environment	199	127			199	127	-36.2%
Transportation	203	229			203	229	12.8%
Health	60	60			60	60	
Human services	290	335			290	335	15.5%
Socio-economic environment	393	365			393	365	-7.1%
Culture and recreation	299	324			299	324	8.4%
Interest on long-term debt	99	114			99	114	15.2%
Mass transit			576	568	576	568	-1.4%
Solid waste collection			99	71	99	71	-28.3%
Solid waste disposal			177	169	177	169	-4.5%
Seaport			86	120	86	120	39.5%
Aviation			574	604	574	604	5.2%
Water			226	203	226	203	-10.2%
Sewer			323	313	323	313	-3.1%
Public health			1,448	1,698	1,448	1,698	17.3%
Other			19	22	19	22	15.8%
<b>Total expenses</b>	<u>3,287</u>	<u>3,478</u>	<u>3,528</u>	<u>3,768</u>	<u>6,815</u>	<u>7,246</u>	6.3%
Increase (decrease) in net assets before transfers	930	787	(423)	(537)	507	250	50.7%
Transfers	(558)	(644)	558	644			
<b>Increase (decrease) in net assets</b>	<u>372</u>	<u>143</u>	<u>135</u>	<u>107</u>	<u>507</u>	<u>250</u>	50.7%
Beginning net assets (Restated-Note 11) *	<u>2,235</u>	<u>2,607</u>	<u>4,888</u>	<u>5,023</u>	<u>7,123</u>	<u>7,630</u>	7.1%
<b>Ending net assets</b>	<u>\$ 2,607</u>	<u>\$ 2,750</u>	<u>\$ 5,023</u>	<u>\$ 5,130</u>	<u>\$ 7,630</u>	<u>\$ 7,880</u>	3.3%

\*Beginning 2006 net assets were adjusted since the prior period adjustments were not identifiable to any specific activity in FY 2006.

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**Governmental activities.** Net assets of governmental activities increased by \$143 million in fiscal year 2007. Total revenues for the governmental activities were \$4.265 billion. The largest source of revenue is taxes (58%), followed by operating grants and contributions (17%) and charges for services (14%). The County experienced an increase in property tax revenues of \$254 million or 17% in fiscal year 2007, as compared to fiscal year 2006, due to an increase in net assessed property values for the year of 20%. In addition, franchise tax revenues increased by \$13 million or 33.3% over fiscal year 2006 as a result of the fuel cost increase. Capital grants and contributions decreased by \$129 million. Most of the decrease was due to a one-time nonrecurring adjustment of \$101 million for roadway impact fees that was recognized in 2006. Also, operating grants and contributions decreased by \$150 million, mainly due to hurricane-related grants in the prior fiscal year.

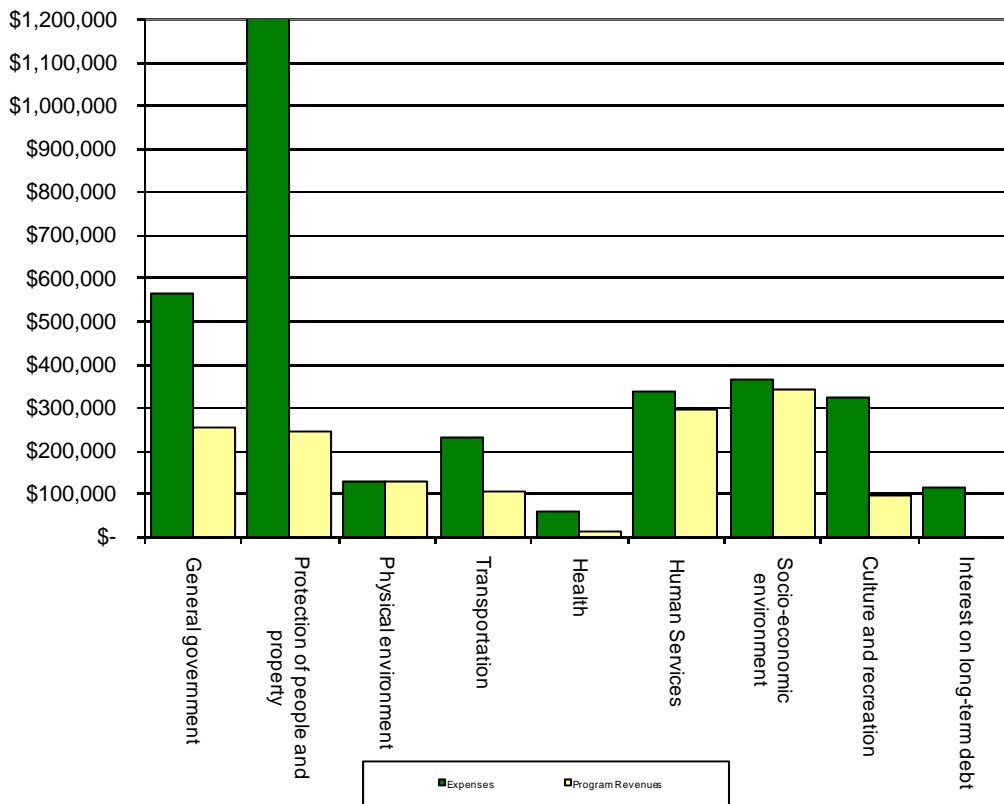
**Revenues by Source--Governmental Activities**



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Total expenses for governmental activities were \$3.478 billion. As can be seen in the chart below, the majority of these expenses were for Protection of People and Property. Net transfers to business-type activities were \$644 million, including: \$291.4 million to the Transit Agency, of which approximately \$152.5 million was from the half-penny sales tax for transit related costs; \$190.9 million of the half-penny Indigent Care sales tax to the Public Health Trust; \$160.7 million from the General Fund to the Public Health Trust.

**Expenses and Program Revenues - Governmental Activities**  
(in thousands)

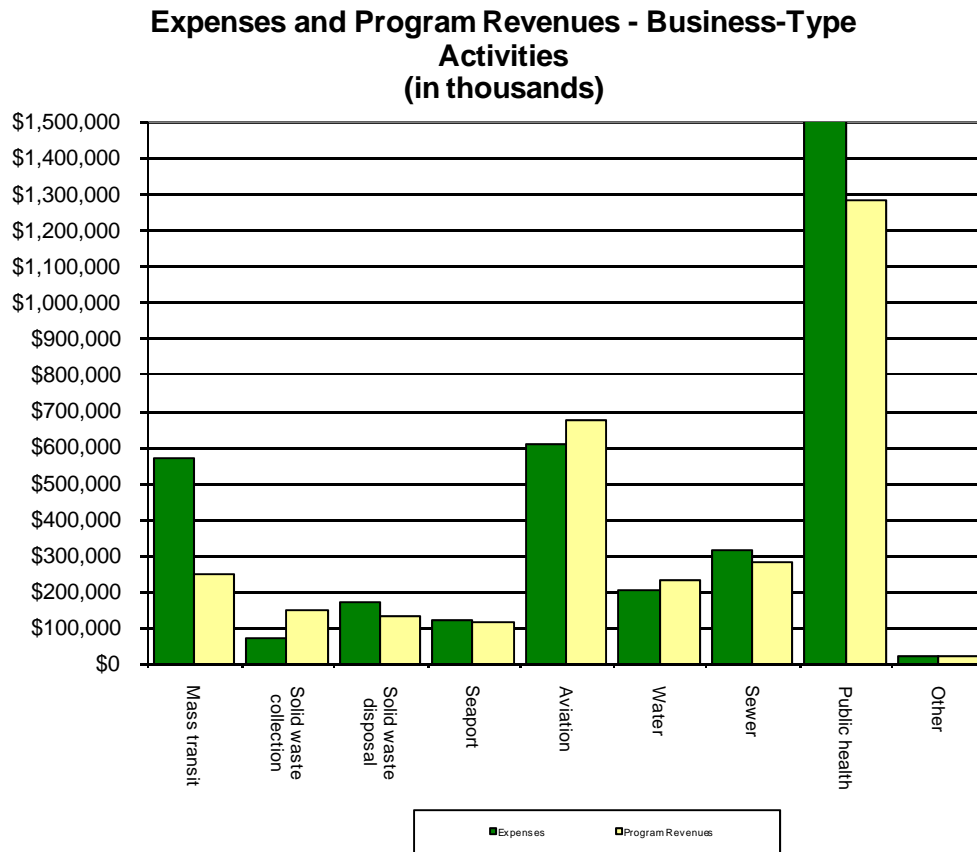


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**Business-type activities.** The County's major business-type activities include the following enterprise funds:

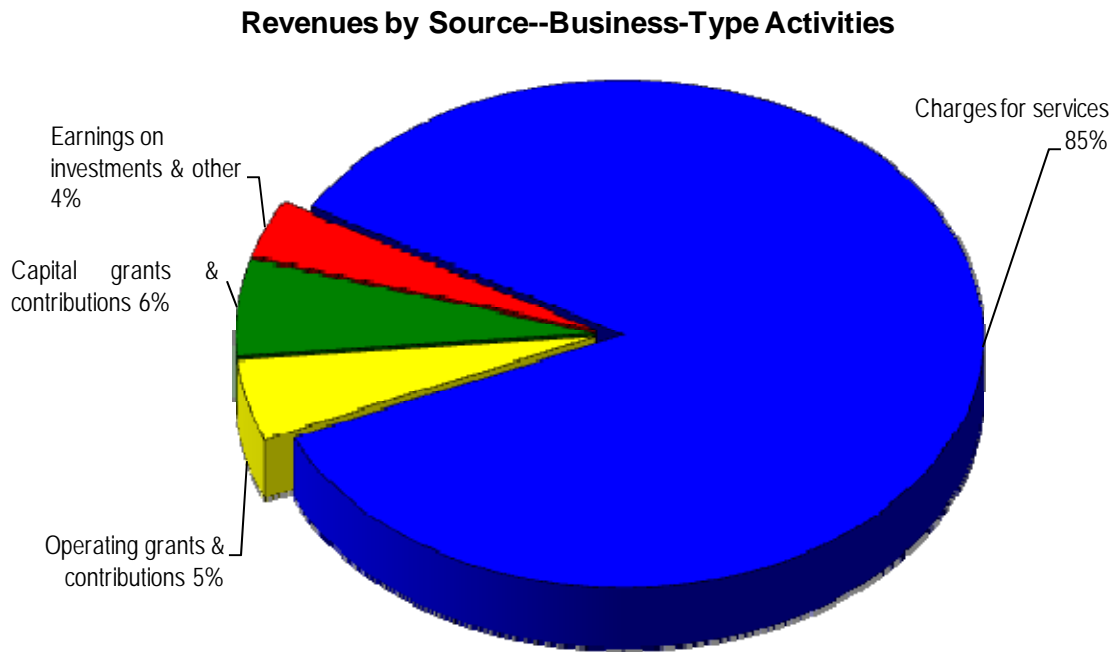
- Miami-Dade Transit Agency
- Solid Waste Collection and Disposal Department
- Seaport Department
- Miami-Dade Aviation Department
- Miami-Dade Water and Sewer Department, and
- Public Health Trust

Net assets of business-type activities increased by \$107 million. The bar graph below summarizes the expenses and program revenues of the business-type activities.



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The pie chart below summarizes the revenues by source of the business-type activities.



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### Financial Analysis of the County's Funds

**Governmental Funds.** The General Fund is the County's chief operating fund and is used to account for most of its governmental activities. The General Fund's fund balance at September 30, 2007, was \$404.9 million. Of this amount \$183.9 million, or approximately 45.4%, is unreserved. The remainder of fund balance has been reserved to pay for additional endangered land (\$67 million), to pay for the enhancement of the stormwater drainage system (\$60 million), to liquidate contracts and purchase orders outstanding at the end of fiscal year (\$30 million) for inventories (\$18 million) and for long-term advances receivables (\$45 million). The unreserved fund balance represents approximately 11.3% of the total General Fund's expenditures. The General Fund's fund balance increased by \$35.5 million from the previous year. This increase is attributed to higher than anticipated revenues, particularly property tax revenues. Also, the franchise tax revenues increased by \$13 million as a result of the fuel cost increase.

#### **Miami-Dade Housing Agency**

The financial reporting entity for Miami-Dade County includes, among other programs, the combined operations of the Miami-Dade Housing Agency (MDHA), a department of Miami-Dade County. The MDHA activities are summarized in the County's CAFR in the Documentary Stamp Surtax Special Revenue Fund, State Housing Initiatives Special Revenue Fund, Other Housing Programs Special Revenue Fund, and the Housing Nonmajor Enterprise Fund, and are included in the County's governmental and business-type activities.

#### **US HUD Takeover of MDHA**

On August 7, 2007, the United States Department of Housing and Urban Development (US HUD) notified the County that it would take control of MDHA, citing the agency was in substantial default of its Public Housing Annual Contributions Contract by failing to maintain its books and records accurately and in accordance with GAAP. Additionally on August 7, 2007, US HUD declared the County in default of the Section 8 Consolidated Annual Contributions Contract, alleging failure to make progress in eliminating the backlog of annual reexaminations and failure to maintain books and records in accordance with US HUD requirements. The US HUD takeover action was authorized pursuant to the United States Housing Act of 1937.

On October 2, 2007, Miami-Dade County entered into a Settlement Agreement and Work Plan which enabled US HUD to take possession of MDHA effective on October 26, 2007. Under the Settlement Agreement, US HUD agreed to return possession of MDHA to the County upon the agency accomplishing specified tasks to improve operations. Nine months after the effective date, if the County believes that all items in the Work Plan have been met, it could petition US HUD to return MDHA's projects and programs. If US HUD agrees that all items in the Work Plan have been accomplished, US HUD will return MDHA's projects and programs to the County within 10 business days of US HUD's determination. If US HUD determines that one or more of the Work Plan have not been accomplished, US HUD shall not be required to grant the County's request.

On July 17, 2008, the County adopted Resolution 868-08, approving and authorizing execution of an amendment to the Settlement Agreement and Work Plan, subject to the approval of the U.S. Department of Justice and ratification by the Federal District Court. The agreement amends the Work Plan and serves to formalize agreed upon items

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necessary prior to US HUD returning the MDHA to the County. The following summarizes the activities that must be completed, among others.

1. The County and HUD agreed to the outsourcing of the management of the Section 8 program to a qualified entity having expertise in the administration of a Section 8 program.
2. US HUD will continue to oversee the financial services contract support to ensure that objectives and tasks of that contract are being achieved.
3. US HUD and the County agree that the 12 month timeframe of the original temporary possession, which was slated to end October 26, 2008, will be extended until December 1, 2008.
4. During the Transition Period, US HUD and the County will mutually agree upon an MOU for MDHA, which will (1) identify various action items for MDHA once possession is returned to the County, including any performance and/or compliance deficiencies that were identified prior to, or as a result of US HUD's temporary possession of MDHA's projects and programs; (2) describe the actions that will be necessary to correct each deficiency; (3) provide a timetable for the correction of each deficiency; (4) require completion of any outstanding items contained in Paragraph I of the Amendment; and (5) include any intervention identified in 24 C.F.R. § 902.83, for failing to comply with the terms of the MOU.

### **Section 8 Over- and Underpayments**

US HUD identified possible issues with the Section 8, private rental assistance program payments to landlords. US HUD hired a consultant to review the Section 8 files; this effort is still ongoing. To date the effort identified certain underpayments and overpayments. Communications with HUD officials indicate that to the extent that underpayments are identified, the housing assistance payments (HAP) will be used to make the payments. To the extent that overpayments are identified, HUD will offset the overpayment from future HAP payments or seek reimbursement from the landlords. The review is ongoing, but the likelihood that there will be a negative impact to the General Fund is remote at this time.

### **Housing Opinion**

For the separately issued MDHA financial statements, the auditor's report was adverse for MDHA's General Fund, Section 8 and Homeless Programs Fund, the Low Income Housing Program Fund and other non-major governmental funds (all of which are combined to represent the Other Housing Programs, a non-major governmental fund in the County's CAFR) and the Section 8 Special Allocation Fund and Mixed Income Housing Fund (which are combined to represent the Housing Agency Public Housing Division- Enterprise Fund, a non-major enterprise fund in the County's CAFR) as well as MDHA's governmental activities and business-type activities.

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**Enterprise Funds.** The proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

***Miami-Dade Transit (“MDT”)*** The MDT generated \$106.4 million in operating revenues in fiscal year 2007, and reported a decrease in net assets of \$23.6 million. Net assets for MDT totaled \$915.7 million at September 30, 2007, including \$1.061 billion invested in capital assets, \$15.6 million in restricted net assets, and a \$160.7 million deficit in unrestricted net assets.

As of September 30, 2007, the Transit Agency had a cash deficit balance of approximately \$128.3 million. These cash deficits are funded with cash advances from the General Fund. It is the County’s practice to cover cash deficits with corresponding interfund receivables/payables in the appropriate fund. MDT reported these interfund transactions as Long-term Advances Due to Other Funds of \$20.8 million and \$107.5 million Due to Other Funds.

In 2005 MDT borrowed \$23.9 million (\$6.8 million for operating expenses, \$17.1 million for project funds) from the General Fund to cover the fiscal year 2001-02 existing shortfall. As of September 30, 2007, the \$23.9 million is recorded as a Long-term Advance Due to the General Fund. The General Fund recorded a reservation of fund balance of \$44.7 million for the Long-Term Advances Receivable.

MDT has borrowed \$83 million from the Citizen’s Independent Transportation Trust (CITT), of which \$3.5 million has been repaid, leaving a balance due to CITT of \$79.5 million. The long-term portion of \$76 million is reported under Long-term Advances Due to Other Funds and the current portion of \$3.5 million is recorded as Due to Other Funds.

***Solid Waste Department (“SWD”)*** The SWD had an increase in net assets of \$46.3 million, reflecting revenues earned in excess of expenses for the fiscal year ended September 30, 2007. Operating revenues decreased 2.4% from \$281.1 million in fiscal year 2006 to \$274.4 million in fiscal year 2007. This decrease primarily resulted from a decrease in Disposal Services due to lower equivalent revenue tons in fiscal year 2007. Fiscal year 2006 had higher equivalent revenue tons due to disposal of storm related waste.

***Seaport Department*** The Seaport Department’s operating revenues for the 2007 fiscal year were \$84.6 million, an increase of approximately 3% from the prior year. The Seaport’s existing cruise and cargo contracts prevent it from raising user fees and charges to the necessary levels. This, coupled with a decrease in cargo activity of approximately 18% over a two year period, has significantly impacted the Seaport’s revenue stream. The Seaport’s net assets decreased by \$4.2 million from the prior year.

***Aviation Department*** The Aviation Department had operating revenues of \$554.9 million in fiscal year 2007, an increase of approximately 5.7% from the prior year. This increase is due primarily to a 16.4% increase in commercial operations at MIA including parking and rental car revenues. Net assets of the Airport increased \$97 million or 9%. This was primarily due to increases in revenues from commercial operations, environmental remediation, investment income, aviation fees, and passenger facility charges. The net asset increase also was due to a significant reduction of liabilities, specifically, the environmental remediation liability.

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***Water and Sewer Department (“WASD”)*** Total net assets as of September 30, 2007 were \$2.2 billion. The Department’s net assets increased by \$36.2 million, or by 1.7%, from the prior year. The increase was primarily due to the elimination by the Board of County Commissioners of the annual general fund transfer, combined with the addition of new rock mining fee revenue. Operating and maintenance expenses increased by \$17.7 million, or by 6.1%, in 2007. The increase is due to increased level of employee compensation with related fringe benefits, and increased security services.

***Public Health Trust (“PHT”)*** During fiscal year 2007, PHT’s net assets decreased by \$34 million. Operating revenues were \$1.282 billion, an increase of \$150 million from the prior year. This increase is primarily due to the acquisition of a hospital which led to approximately \$94.8 million in new revenue. Operating expenses, including depreciation, were \$1.707 billion, an increase of \$255.0 million from prior year. The increase in expenses is mainly attributed to an increase in personnel and related costs, contractual and purchased services, and supplies expense. The salaries and related costs increase of \$132 million resulted from approximately a 5% rise in average salaries and an 11% increase in FTEs due to the acquisition of a hospital during the year. These increases were partially offset by Miami-Dade County General Fund (\$160.7 million) and Health Development Fund indigent tax (\$190.9 million) funding.

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### **General Fund Budgetary Highlights**

During fiscal year 2007, the General Fund's budget was amended one time. These budget amendments or supplemental appropriations reflect the change in projected expenditures that occurred since the budget hearings were held in September 2006 and distribute allocated funds among various County agencies from appropriate reserves and from appropriate sources. The major amendments and supplemental appropriations are discussed in greater detail below.

- ❑ The Housing Agency required an amendment of \$7.967 million to cover additional costs for security, janitorial services, elevator repairs and other operating costs funded by the Countywide General Fund.
- ❑ The Elections Department required an amendment of \$1.381 million to cover costs associated with an unbudgeted special election in December 2006 and an unbudgeted countywide special election in January 2007.

### **General Fund Budgeted Revenues Compared to Actual Revenues**

Actual revenues exceeded the estimated amounts by \$25 million. The most significant changes occurred in the following areas:

- ❑ **Taxes** increased by \$14.4 million mainly due to an increase in franchise taxes of \$11 million as a result of higher than expected fuel surcharges during fiscal year 2007. In addition, communication taxes increased by \$7.7 million. These increases were offset by property taxes being lower than estimated amounts by \$7.5 million.
- ❑ **Licenses and Permits** decreased by \$7.1 million, due to continued decline in the housing industry, resulting in lower than anticipated permitting activity.
- ❑ **Intergovernmental Revenue** increased by \$6.2 million, due to increased sales tax collections and state revenue sharing proceeds.
- ❑ **Charges for Services** increased by \$6.4 million. This increase was mainly due to an increase in tax collector fees of \$6.2 million due to increased taxes sales commission fees; an increase of \$3.6 million in merchandise sales and recreational fees; and an increase in other charges for services of \$9.2 million. These increases were offset by a \$12.7 million decrease in revenue from Sheriff and police services provided to municipalities.
- ❑ **Investment Income** increased by \$5.6 million over the budgeted amount as a result of higher than expected interest returns.

### **General Fund Budgeted Expenditures Compared to Actual Expenditures**

The General Fund's expenditures were \$1.629 billion, \$190.4 million less than budgeted. This variance is primarily attributed to cost containment measures and capital expenditures that did not occur during the year and were reestablished in the following year's budget.

## MIAMI-DADE COUNTY, FLORIDA

The following are the functional areas that recognized the largest variations from the final budget:

- ❑ **Policy Formulation and General Government** had lower than anticipated expenditures of \$119.5 million. The majority of the savings were due to postponement of capital expenditures and professional contract services, and lower than anticipated services and other commodities across various departments.
- ❑ **Protection of People and Property** expenditures were \$21.8 million under budget. The majority of this variance is related to the Building Department, Building Code Compliance and Planning and Zoning Departments. These departments experienced reduced staffing and operating expenditures due to the weakening housing market and reduced construction activity, reporting a 58% reduction in building permits in fiscal year 2007 as compared to 2006.
- ❑ **Health expenditures** were \$20.9 million under budget. Medicaid expenditures decreased by \$16 million as compared to budget. The remaining variance is comprised of reduced spending by Public Works, Animal Services and other general government activities.

### Capital Asset and Debt Administration

**Capital Assets.** At September 30, 2007, the County's total investment in capital assets, net of accumulated depreciation, was \$14.1 billion. This represents an increase of approximately 4.4% over the previous year. The following table summarizes the components of the County's investments in capital assets.

#### Miami-Dade County Capital Assets as of September 30, 2007 and 2006 (net of depreciation, in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006 (Restated)	2007	2006 (Restated)	2007	2006 (Restated)	2007
Land	\$ 561,720	\$ 592,079	\$ 567,499	\$ 627,220	\$ 1,129,219	\$ 1,219,299
Construction in progress	265,138	269,469	2,603,943	1,852,255	2,869,081	2,121,724
Building and building improvements	1,531,329	1,581,211	2,950,061	3,971,209	4,481,390	5,552,420
Infrastructure	909,135	971,227	3,101,857	3,151,015	4,010,992	4,122,242
Machinery and equipment	153,759	177,969	818,716	856,413	972,475	1,034,382
Totals	<u>\$ 3,421,081</u>	<u>\$ 3,591,955</u>	<u>\$ 10,042,076</u>	<u>\$ 10,458,112</u>	<u>\$ 13,463,157</u>	<u>\$ 14,050,067</u>

Governmental activities and business-type activities reflect a restatement of beginning balances of \$110.2 million and \$.29 million, respectively, related to the Miami-Dade Housing Agency funds. Refer to Note 11 for details.

Governmental activities' major capital assets additions during the year included:

- ❑ \$55.3 million invested in the purchasing of Overtown Tower I building for the use and operation of county administrative offices
- ❑ \$12.7 million expended for construction projects related to the South Miami Dade Cultural Center

## **MIAMI-DADE COUNTY, FLORIDA**

- ❑ \$9.0 million expended for the construction of four new library branches located at International Mall, Kendall Lakes, Naranja Lakes and Golden Lakes
- ❑ \$8.6 million for the installation and improvement of Traffic Signals and Flashing Traffic School Signals
- ❑ \$8.2 million invested in the construction and renovation of six new Fire Stations
- ❑ \$7.8 million expended in the construction of Metrozoo-Amazon PH IV Australia
- ❑ \$7.0 million to acquire land parcels at NW 36th Street for the relocation of the GSA Services Division Trade Shops
- ❑ \$7.2 million in the acquisition of eleven Spartan Telesquirt and one ALS Pump-Fire Trucks
- ❑ \$5.3 million for the acquisition of library resources

Business-type activities' major capital assets additions during the year included:

### **Aviation Department:**

- ❑ \$677.2 million decrease in construction in progress due to the partial completion of the South Terminal.

### **Water and Sewer Department:**

- ❑ \$44.7 million expended for various water projects, including treatment facilities
- ❑ \$40.7 million expended for various wastewater projects

### **Solid Waste Department**

- ❑ \$3.7 million expended for facility improvements
- ❑ \$32.3 thousand expended for the completion of Disposal Scalehouse Lighting and Surge Protection, NE Transfer Tipping Floor Crane, Resources Recovery Carbon Monoxide and West Transfer Station 3 Crane

### **Transit Agency**

- ❑ During fiscal year 2007 MDT placed 40 new full-size buses into service, for a total fleet of 996 vehicles.

### **Public Health Trust**

- ❑ The Trust continues to expand and improve its facilities. Approximately \$110.8 million was spent in fiscal year 2007 to expand and improve the Health facilities and internal software.

## MIAMI-DADE COUNTY, FLORIDA

### Seaport

- During fiscal year 2007 investment in capital assets increased \$29.2 million and is attributed to projects in the Seaport Master Plan and acquisitions of other capital assets necessary for the ongoing operations.

Additional information on the County's capital assets can be found in Note 4.

**Long-Term Liabilities.** At September 30, 2007, the County had \$11.0 billion in long-term liabilities, which are summarized in the schedule below. Additional information regarding long-term debt can be obtained in Note 8.

### Miami-Dade County Outstanding Long-term Liabilities as of September 30, 2007 and 2006 (in thousands)

	Governmental activities		Business-type activities		Total Primary Government	
	2006	2007	2006	2007	2006	2007
	Restated				Restated	
General obligation bonds	\$ 507,316	\$ 472,236	\$ 142,215	\$ 138,510	\$ 649,531	\$ 610,746
Special obligation bonds	1,444,085	1,734,347	47,310	41,460	1,491,395	1,775,807
Revenue bonds			5,672,389	6,146,050	5,672,389	6,146,050
Loans and notes payable	272,097	253,591	622,353	647,889	894,450	901,480
Other (i.e. unamortized premiums, discounts and accretions of interest)	101,448	59,368	(81,398)	(44,700)	20,050	14,668
Commercial paper notes			365,342	70,295	365,342	70,295
Sub-total Bonds, Notes and Loans	2,324,946	2,519,542	6,768,211	6,999,504	9,093,157	9,519,046
Compensated absences	341,590	360,774	183,076	201,181	524,666	561,955
Estimated insurance claims payable	174,805	208,012	38,720	40,332	213,525	248,344
Environmental remediation			138,162	107,839	138,162	107,839
Landfill closure/postclosure care costs			103,718	108,718	103,718	108,718
Lease agreements	11,420	11,149	407,836	393,887	419,256	405,036
Other	32,931	34,832	60,873	53,841	93,804	88,673
<b>Totals</b>	<b>\$ 2,885,692</b>	<b>\$ 3,134,309</b>	<b>\$ 7,700,596</b>	<b>\$ 7,905,302</b>	<b>\$ 10,586,288</b>	<b>\$ 11,039,611</b>

Fiscal year 2006 governmental activities reflect a restatement related to Housing Programs. Refer to Note 11 for further detail.

### Bond Ratings

Miami-Dade County continues to meet its financial needs through prudent use of its revenues and effective debt financing programs. The County's financial strength and sound financial management practices are reflected in its general obligation bond investment ratings, which are among the highest levels attained by Florida counties. Following are the credit ratings assigned by the three primary credit rating agencies in the financial market:

Aa3	Moody's Investor Services
AA-	Standard & Poor's Corporation
AA-	Fitch IBCA, Inc.

## MIAMI-DADE COUNTY, FLORIDA

At September 30, 2007, the County had \$9.449 billion in bonds and loan agreements outstanding, other than commercial paper notes. This is a net increase (new debt issued less principal reductions) of \$720 million or 8.2% from the previous year. During the year, the County issued approximately \$1.364 billion of new debt, which is detailed in the chart below. Additional information on the County's debt can be obtained in Note 8.

### BONDS AND LOANS ISSUED DURING THE YEAR

(in thousands)

Date Issued	Description	Purpose	Interest Rate Range	Final Maturity Date	Original Amount Issued
<b>BONDS:</b>					
5/24/07	Capital Asset Acquisition Special Obligation Bonds, Series 2007A	To pay the cost of acquisition, construction, improvement or renovation of certain capital assets, including buildings occupied or to be occupied by the County.	4.00% - 5.00%	4/1/37	\$ 210,270,000
5/24/07	Capital Asset Auction Rate Acquisition Special Obligation Bonds, Series 2007B	To pay the cost of acquisition, construction, improvement or renovation of certain capital assets, including buildings occupied or to be occupied by the County.	Variable	4/1/27	17,450,000
5/31/07	Aviation Revenue Bonds, Series 2007A (AMT)	To finance certain airport improvements associated with the Airport's Capital Improvement Plan previously approved by the Board.	5.00%	10/1/40	551,080,000
5/31/07	Aviation Revenue Bonds, Series 2007B (NON-AMT)	To finance certain airport improvements associated with the Airport's Capital Improvement Plan previously approved by the Board.	4.50% - 5.00%	10/1/31	48,920,000
7/11/07	Guaranteed Entitlement Refunding Revenue Bonds, Series 2007	To refund all of the outstanding Dade County, Florida Guaranteed Entitlement Refunding Revenue Bonds, Series 1995A.	4.00% - 5.25%	2018	108,705,000
8/30/07	Public Service Tax Revenue Bonds (UMSA Public Improvements), Series 2007B	To pay or reimburse the County for all or a portion of improvements to the stormwater drainage system, the construction of new sidewalks and, the repair and/or renovation of existing sidewalks, park development and the beautification of neighborhoods.	4.00% - 4.75%	4/1/32	30,785,000
9/12/07	Water and Sewer System Revenue Refunding Bonds, Series 2007	Refund a portion of the County's Water and Sewer System Revenue Bonds, Series 1997 and pay the cost of issuance of the Series 2007 Bonds.	4.00% - 5.00%	10/1/26	344,690,000
<b>LOANS:</b>					
12/20/06	State Revolving Fund (Miami-Dade Water and Sewer Dept.)	To finance construction of water and wastewater treatment facilities	2.58%	6/15/22	449,000
2/6/07	Aviation FDOT State Infrastructure Bank Note	To fund the County's share of the Viaduct Project by the FDOT	2.00%	10/1/19	50,000,000
6/19/07	State Revolving Fund (Miami-Dade Water and Sewer Dept.)	To finance construction of water and wastewater treatment facilities	2.58%	6/15/22	1,588,000

Total long-term debt issued during the year

\$ 1,363,937,000

## MIAMI-DADE COUNTY, FLORIDA

**Other Obligations.** 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. Detailed information about the County's liability related to the self-insurance program is included in Note 7. Other obligations include compensated absences, post-retirement health insurance benefits, arbitrage liability and other contingencies.

### **Economic Factors and Other Significant Matters**

The County's revenues and expenses and expenditures are affected by changes in international, national and local economic factors. Economic growth can be measured by various factors. Highlights of the economic factors that affected Miami-Dade County during the last fiscal year are depicted below.

- The unemployment rate for Miami-Dade County declined to approximately 3.5% from 3.9%, a decrease of approximately 0.4% from prior year. (Source: Florida Agency for Workplace Innovation, Office of Workforce Information Services, Labor Market Statistics, Miami-Dade County Department of Planning and Zoning, Research Section)
- The occupancy rate for commercial real estate was 92%, an increase of approximately 2.3% from the previous year. (Source: Beacon Council, Miami-Dade County, Florida)
- The number of visitors to Miami-Dade County was approximately 12 million. This represents an increase of approximately 3.4%. (Source: Greater Miami Convention and Visitors Bureau)
- The average sales price for existing single family homes increased to \$380,500, up by 1% from 2006 prices. However, condominium prices experienced a higher appreciation rate in fiscal year 2007 with average prices at \$272,592, a 5.7% increase from fiscal year 2006. (Source: Miami-Dade Department of Planning and Zoning.)

### **Requests for information**

This financial report is designed to provide a general overview of Miami-Dade County's finances to our citizens, taxpayers, customers, investors, creditors, and others with an interest in the County's finances. Questions concerning this report or requests for additional financial information should be addressed to:

Miami-Dade County, Florida  
Finance Department  
Office of the Controller  
111 NW 1<sup>st</sup> Street, Suite 2620  
Miami, Florida 33128-1980