

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, 2006. 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.

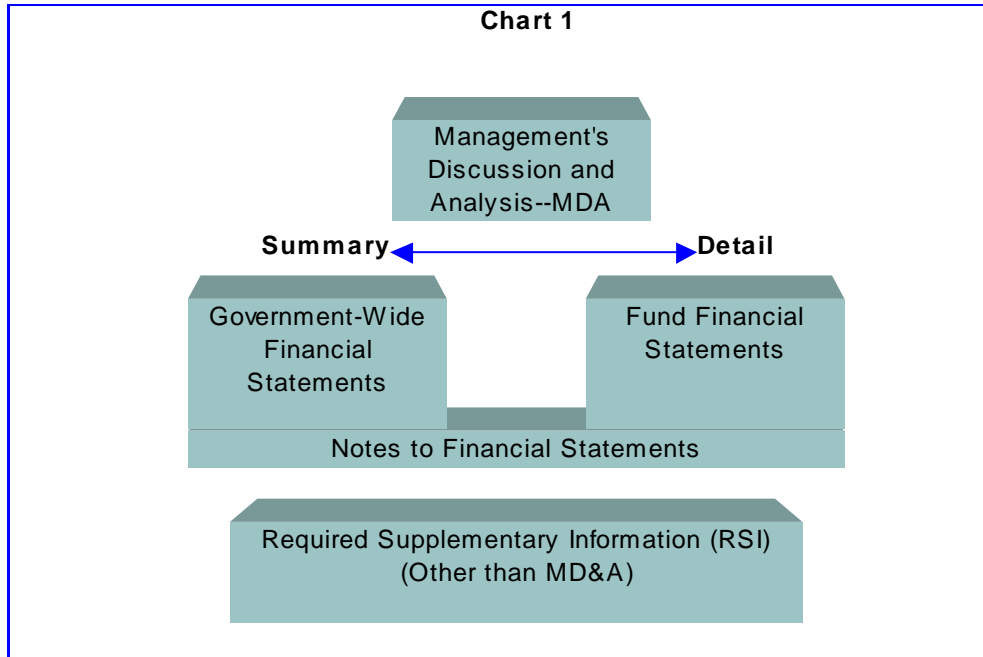
Financial Highlights for Fiscal Year 2006

- At September 30, 2006, the County's assets exceeded its liabilities by \$7.6 billion (net assets). Of this amount, \$5.7 billion was invested in capital assets, net of related debt. Additionally, \$2.05 billion was restricted by law, agreements, debt covenants or for capital projects. The County had an unrestricted net deficit of \$107 million at September 30, 2006.
- During the fiscal year 2006, net assets increased by \$507 million. Of this increase, \$135 million was in business-type activities and the remaining increase of \$372 million was in governmental activities.
- Total long-term liabilities, excluding commercial paper, had a net increase of \$545.3 million during the fiscal year. This was due to the issuance of \$734.2 million of Revenue Bonds; \$80.2 million of Special Obligation Bonds; \$109.1 million of loans; interest accretions and premiums on bonds of \$34.3 million; offset by a net reduction of principal and other liabilities of \$412.5 million.
- At September 30, 2006, the County's governmental funds had fund balances totaling \$2.030 billion. The net change in fund balances during the year was an increase of \$342 million. Of the total fund balance, approximately \$1.378 billion or 68% was unreserved.
- At September 30, 2006, the General Fund had a fund balance of \$369.4 million, representing an increase of approximately 34% from the previous year. Of the total fund balance, approximately \$158.5 million was unreserved.

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Overview of the Financial Statements

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

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

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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 |
|--|-------------------------|-----------------|--------------------------|-----------------|--------------------------|-----------------|-------------------------|
| | 2005 | | 2005 | | 2005 | | 2005-2006 |
| | (Restated) | 2006 | 2005 | 2006 | (Restated) | 2006 | |
| Current and other assets | \$ 2,849 | \$ 3,590 | \$ 3,240 | \$ 3,458 | \$ 6,089 | \$ 7,048 | 15.7% |
| Capital assets | 3,136 | 3,311 | 9,660 | 10,042 | \$ 12,796 | 13,353 | 4.4% |
| Total assets | 5,985 | 6,901 | 12,900 | 13,500 | 18,885 | 20,401 | 8.0% |
| Long-term debt obligations | 2,704 | 2,884 | 7,283 | 7,701 | 9,987 | 10,585 | 6.0% |
| Other liabilities | 1,017 | 1,381 | 728 | 775 | 1,745 | 2,156 | 23.6% |
| Total liabilities | 3,721 | 4,265 | 8,011 | 8,476 | 11,732 | 12,741 | 8.6% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 1,826 | 1,752 | 4,158 | 3,960 | 5,984 | 5,712 | -4.5% |
| Restricted | 744 | 1,158 | 576 | 897 | 1,320 | 2,055 | 55.7% |
| Unrestricted | (306) | (274) | 155 | 167 | (151) | (107) | 29.1% |
| Total net assets | \$ 2,264 | \$ 2,636 | \$ 4,889 | \$ 5,024 | \$ 7,153 | \$ 7,660 | 7.1% |

Net assets may be used to assess the financial position of the County. The County's combined net assets as of September 30, 2006 were \$7.660 billion. Approximately 75%, or \$5.712 billion, of the County's net assets represent its 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, \$2.055 billion are restricted net assets and are subject to external restrictions on how they may be spent.

At September 30, 2006, the County had an unrestricted net deficit of \$107 million. The governmental activities unrestricted deficit of \$274 million is primarily due to the liability for County employees' compensated absences of \$341 million and the Self-Insurance Fund's deficit of \$44 million.

The increase in net assets of business-type activities of \$135 million is attributed to increases in net assets of Solid Waste, Seaport, Aviation, Water and Sewer and the Public Health Trust, offset by a decrease in net assets of the Transit fund. More detailed information on these changes may be found in the Financial Analysis of the County's Funds section of the MD & A.

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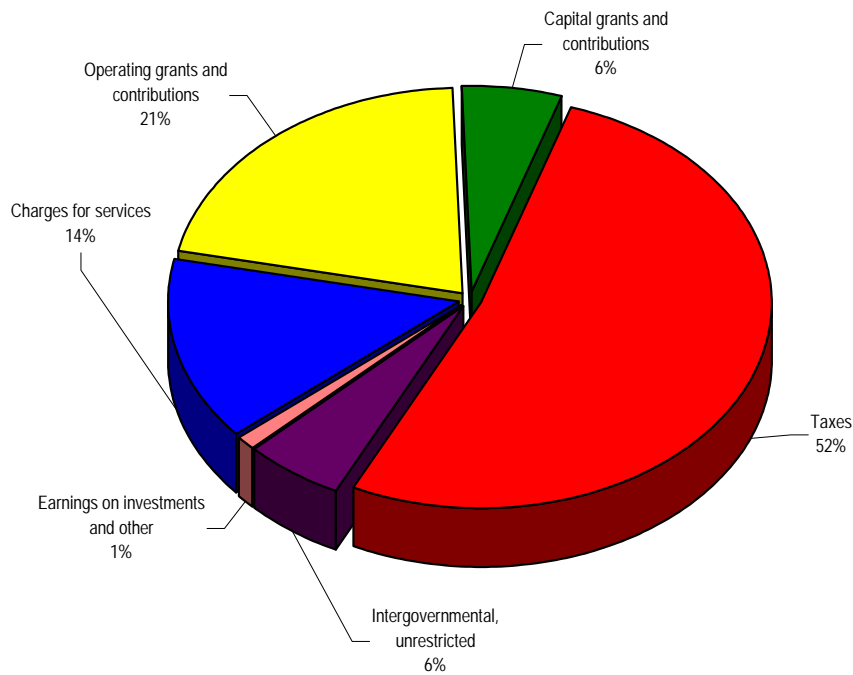
**Table 2
Miami-Dade County, Florida
Changes in Net Assets
(in millions)**

| | Governmental activities | | Business-type activities | | Total primary government | | Total % |
|--|-------------------------|-----------------|--------------------------|-----------------|--------------------------|-----------------|-----------------|
| | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005-2006 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 539 | \$ 609 | \$ 2,414 | \$ 2,585 | \$ 2,953 | \$ 3,194 | 8.2% |
| Operating grants and contributions | 709 | 889 | 198 | 182 | 907 | 1,071 | 18.1% |
| Capital grants and contributions | 75 | 237 | 155 | 216 | 230 | 453 | 97.0% |
| General revenues: | | | | | | | |
| Property taxes | 1,283 | 1,505 | | | 1,283 | 1,505 | 17.3% |
| County hospital 1/2% sales surtax | 171 | 190 | | | 171 | 190 | 11.1% |
| Transportation 1/2% sales surtax | 170 | 190 | | | 170 | 190 | 11.8% |
| Utility taxes | 67 | 68 | | | 67 | 68 | 1.5% |
| Local option gas taxes | 62 | 62 | | | 62 | 62 | |
| Franchise taxes | 39 | 39 | | | 39 | 39 | |
| Communication tax | 49 | 50 | | | 49 | 50 | 2.0% |
| Other taxes | 92 | 101 | | | 92 | 101 | 9.8% |
| Intergovernmental revenues, unrestricted | 221 | 235 | | | 221 | 235 | 6.3% |
| Earnings on investments | 32 | 35 | 46 | 114 | 78 | 149 | 91.0% |
| Miscellaneous | 10 | 7 | | 8 | 10 | 15 | 50.0% |
| Total revenues | 3,519 | 4,217 | 2,813 | 3,105 | 6,332 | 7,322 | 15.6% |
| Expenses: | | | | | | | |
| Policy formulation and general government | 467 | 457 | | | 467 | 457 | -2.1% |
| Protection of people and property | 1,113 | 1,287 | | | 1,113 | 1,287 | 15.6% |
| Physical environment | 161 | 199 | | | 161 | 199 | 23.6% |
| Transportation | 206 | 203 | | | 206 | 203 | -1.5% |
| Health | 56 | 60 | | | 56 | 60 | 7.1% |
| Human services | 283 | 290 | | | 283 | 290 | 2.5% |
| Socio-economic environment | 381 | 393 | | | 381 | 393 | 3.1% |
| Culture and recreation | 239 | 299 | | | 239 | 299 | 25.1% |
| Interest on long-term debt | 84 | 99 | | | 84 | 99 | 17.9% |
| Mass transit | | | 495 | 576 | 495 | 576 | 16.4% |
| Solid waste collection | | | 87 | 99 | 87 | 99 | 13.8% |
| Solid waste disposal | | | 168 | 177 | 168 | 177 | 5.4% |
| Seaport | | | 93 | 86 | 93 | 86 | -7.5% |
| Aviation | | | 565 | 574 | 565 | 574 | 1.6% |
| Water | | | 172 | 226 | 172 | 226 | 31.4% |
| Sewer | | | 274 | 323 | 274 | 323 | 17.9% |
| Public health | | | 1,424 | 1,448 | 1,424 | 1,448 | 1.7% |
| Other | | | 18 | 19 | 18 | 19 | 5.6% |
| Total expenses | 2,990 | 3,287 | 3,296 | 3,528 | 6,286 | 6,815 | 8.4% |
| Increase in net assets before transfers | 529 | 930 | (483) | (423) | 46 | 507 | -1002.2% |
| Transfers | (512) | (558) | 512 | 558 | | | |
| Increase (decrease) in net assets | 17 | 372 | 29 | 135 | 46 | 507 | -1002.2% |
| Beginning net assets, 10/1/2005 (Restated - Note 11) | 2,247 | 2,264 | 4,860 | 4,889 | 7,107 | 7,153 | 0.6% |
| Ending net assets - 9/30/2006 | \$ 2,264 | \$ 2,636 | \$ 4,889 | \$ 5,024 | \$ 7,153 | \$ 7,660 | 7.1% |

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Governmental activities. Net assets of governmental activities increased by \$372 million in fiscal year 2006. Total revenues for the governmental activities were \$4.217 billion. The largest source of revenue is taxes (52%), followed by operating grants and contributions (21%) and charges for services (14%). The County experienced an increase in property tax revenues of \$222 million or 17% in fiscal year 2006, due to an increase in net assessed property values for the year of 20%.

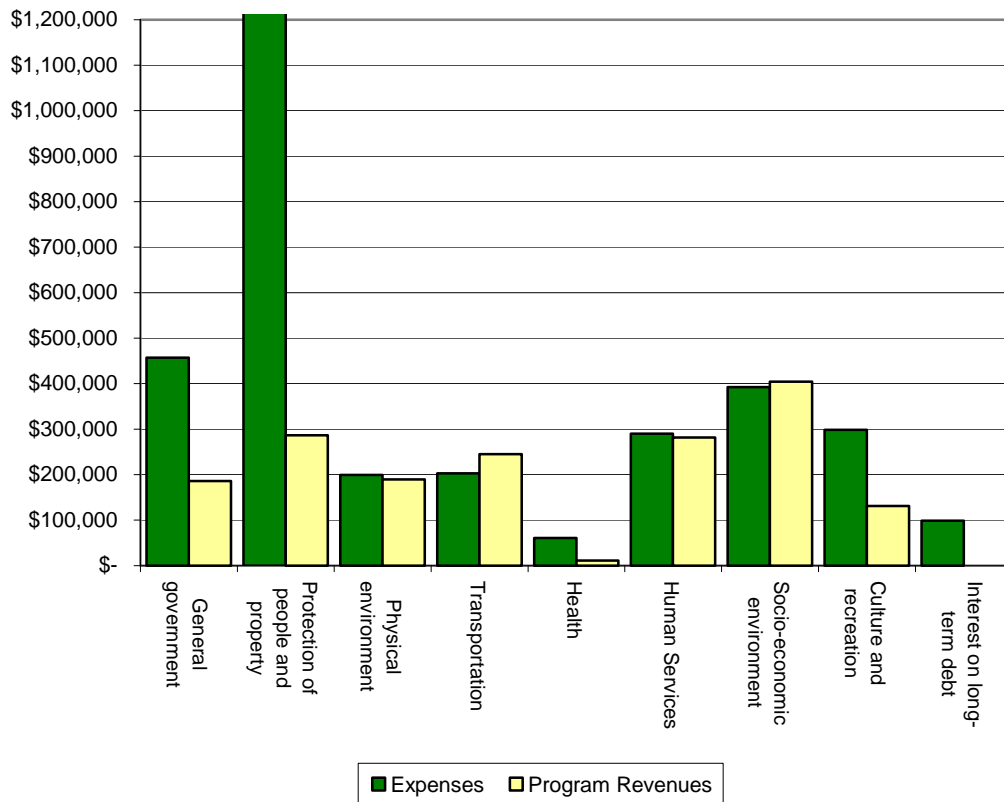
Revenues by Source--Governmental Activities



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Total expenses for governmental activities were \$3.287 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 \$558 million, including: \$250.5 million to the Transit Agency, of which approximately \$118.1 million was from the half-penny sales tax for transit related costs; \$189.7 million of the half-penny Indigent Care sales tax to the Public Health Trust; \$140.4 million from the General Fund to the Public Health Trust, partially offset by \$22.9 million transferred from the Miami-Dade Water and Sewer Department to the General Fund.

Expenses and Program Revenues - Governmental Activities
(in thousands)

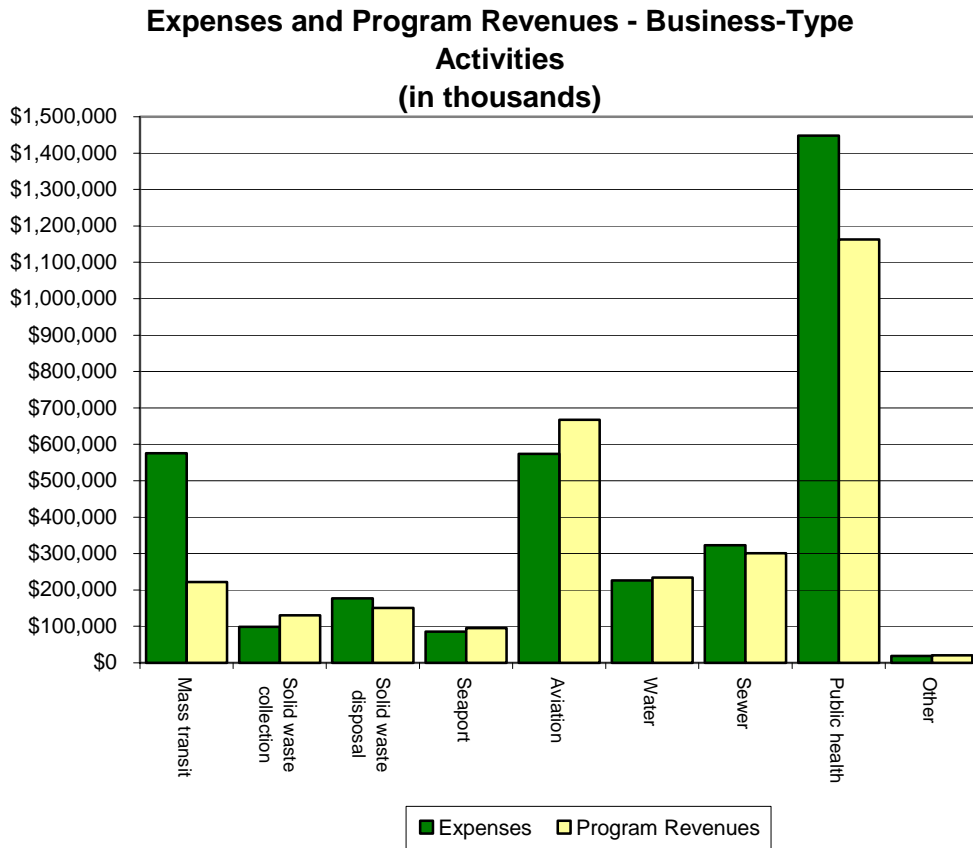


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Business-type activities. The County’s major business-type activities include the following enterprise funds:

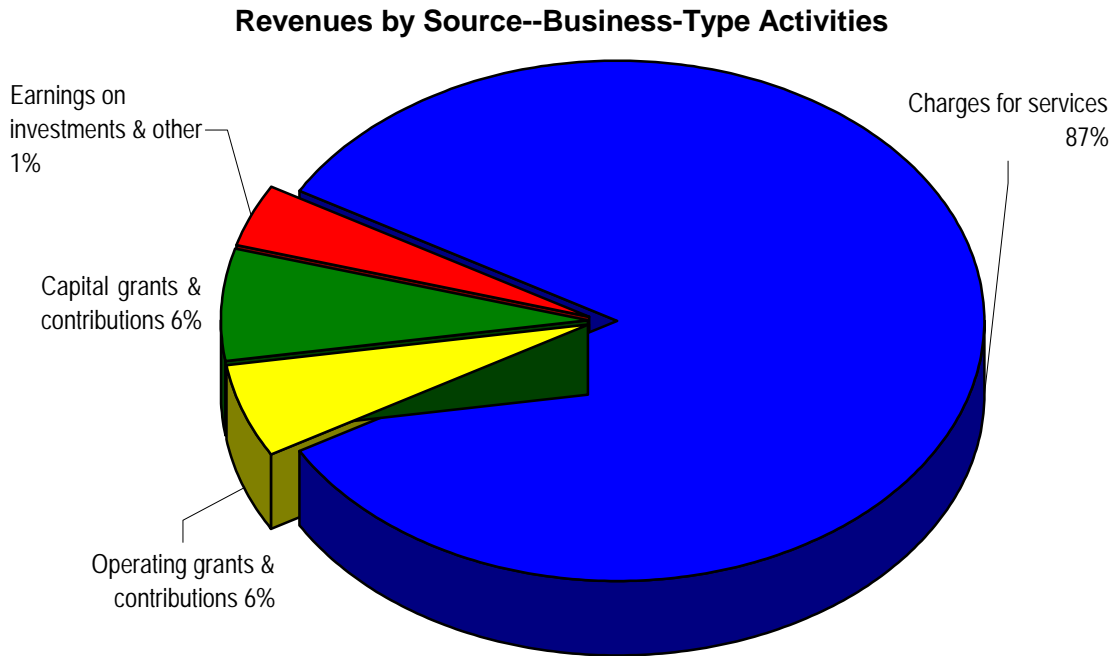
- Miami-Dade Transit Agency
- Solid Waste Collection and Disposal Department
- Seaport Department
- Miami-Dade Aviation Department
- Miami-Dade Water and Sewer Department, and
- Public Health Trust.

Net assets of business-type activities increased by \$135 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, 2006, was \$369.4 million. Of this amount \$158.5 million, or approximately 42.9%, is unreserved. The unreserved fund balance represents approximately 10.8% of the total General Fund's expenditures. The General Fund's fund balance increased by \$92.8 million from the previous year. This increase is attributed to higher than anticipated revenues, particularly property tax revenues.

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 \$100.9 million in operating revenues in fiscal year 2006, and reported a decrease in net assets of \$95.6 million. Net assets for MDT totaled \$939.4 million at September 30, 2006, including \$1.102 billion invested in capital assets, \$80.7 million in restricted net assets, and a \$243.1 million deficit in unrestricted net assets.

As of September 30, 2006, the Transit Agency had a cash deficit balance of approximately \$149.3 million. It is the County's practice to report cash deficits with a corresponding interfund receivable/payable in the appropriate fund. These cash deficits are funded with cash advances from the County's General Fund.

On June 8, 2005, the Regional Transportation Committee (RTC) approved and later the Board of County Commissioners (the Board) approved Resolution R-120-05 amending the People's Transportation Plan (PTP) to restore the General Fund support (also known as the maintenance of effort (MOE)) to MDT to the pre-surtax level of \$123.7 million and annually increased the MOE by 3.5%. Included in the amendment is compliance with the terms of a Line of Credit Obligation Letter, which outlines a loan approved by the Citizen's Independent Transportation Trust (CITT) for up to \$150 million in surtax funds to support MDT services in existence as of November 5, 2002. The payment schedule was revised to reflect the exclusion of \$23.9 million (\$6.8 operating, \$17.1 project funds) fiscal year 2001-02 shortfall existing prior to the passage of the surtax which will be covered by the Miami-Dade County General Fund.

On January 17, 2006, the Board accepted the PTP 2005 Pro Forma updated. An updated revised payment schedule was presented with a new borrowing requirement of \$133.4 million.

On February 7, 2006, the project for building an extension of the existing Metrorail system to the north (North Corridor) received a "medium" rating from the Federal Transit Administration; the project received a \$228 million commitment from the state to fund this amount over a 5-year period. This represents the 25% from the state commitment needed to move ahead with the project. MDT received a Record of Decision (ROD) for the North Corridor in fiscal year 2006.

Solid Waste Department ("SWD") The SWD had an increase in net assets of \$11.7 million, reflecting revenues earned in excess of expenses for the fiscal year ended September 30, 2006. Operating revenues increased 13.5% from \$247.7 million in fiscal year 2005 to \$281.1 million in fiscal year 2006. This increase is primarily due to higher

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Solid Waste Disposal Services Revenues resulting from higher equivalent revenue tons coupled with higher disposal tipping fees.

Seaport Department The Seaport Department's operating revenues for the 2006 fiscal year were \$87.9 million, an increase of approximately 3.4% from the prior year. The increase is attributed to an increase in cruise wharfage and dockage of approximately \$1.2 million or 5.7% and \$0.7 million or 7.1%, respectively. Higher operating revenues were partially offset by increase in operating expenses in the areas of security, general and administrative, gantry cranes and utilities. The Seaport's net assets increased by \$13.1 million from the prior year.

Aviation Department The Aviation Department had operating revenues of \$525.2 million in fiscal year 2006, an increase of approximately 6% from the prior year. This increase is due primarily to a 31.9% increase in the landing fee charged to MIA air carriers in fiscal year 2006. Net assets of the Airport increased \$125 million or 13%. This was primarily due to increases in capital contributions of 120%, revenues from investment income, aviation fees, commercial operations and passenger facility charges. The net asset increase also included a significant reduction of liabilities, specifically in environmental remediation liability.

Water and Sewer Department ("WASD") Total net assets as of September 30, 2006 were \$2.1 billion. The Department's net assets increased by \$8.6 million, or 0.4%. The increase was primarily due to the impacts of unbudgeted financial transactions which provided additional cash.

Public Health Trust ("PHT") During fiscal year 2006 PHT's net assets increased by \$57.3 million. Operating revenues were \$1.132 billion, an increase of \$48 million from the prior year. This increase is primarily due to the effect of an increase in Net Patient Service Revenue as a result of an average strategic price increase which went into effect on October 1, 2005; an increase in the Disproportionate Share Program of \$3.4 million; and the resolution of a matter related to prior period Medicaid overpayments which generated a gain of approximately \$56.6 million. Operating expenses, including depreciation, increased by \$33.8 million from last year. The increase in expenses is mainly attributed to an increase in personnel and related costs and contractual and purchased services expenses. The personnel cost increase resulted from a 4% cost of living adjustment and 2.5% merit increase, offset by a 3.7% reduction in personnel levels. Non-operating revenues increased by \$25.4 million, mainly due to increases in sales tax revenue of \$19.2 million, Miami-Dade County funding of \$17.4 million and investment income of \$13.4 million. These increases were partially offset by a decrease of \$25.0 million in Miami-Dade County special assistance and a \$7.2 million increase in interest expense.

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General Fund Budgetary Highlights

During fiscal year 2006, the General Fund's budget was amended two times. These budget amendments or supplemental appropriations reflect the change in projected expenditures that occurred since the budget hearings were held in September 2005 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 Corrections Department required an amendment of \$10.7 million to cover overtime costs and new security initiatives in jail operations, increased expenditures associated with hospital assignments for inmate medical care and due to a higher than expected inmate population and board approved wage adjustments.
- ❑ General Services Administration required an amendment of \$8.8 million to cover the higher than budgeted fuel prices. When the fiscal year 2006 budget was developed the average price paid for fuel was under 1.60 per gallon, the actual average price paid for fuel was \$2.13.
- ❑ The Miami Dade Police Department required a supplemental budget of \$3.4 million due to higher than budgeted police service provided to municipalities under contract. These expenses were funded by additional payments from the municipalities as required in the police service contracts.

Actual General Fund revenues were \$73 million higher than the budgeted amount. The increase is primarily due to 1) an increase in Taxes of \$19.5 million resulting from an increase in property taxes due to higher assessed values, and increases in utility, communication, local option gas tax and franchise taxes as a result of increased activity in each of these categories; 2) an increase in Building Permits revenues of \$10.2 million resulting from an increase in construction and related activities; 3) an increase in Intergovernmental revenue of \$21.9 million resulting from increased Sales tax collections and State revenue sharing; 4) an increase of \$16.9 million in Other, under Charges for Services, as a result of increased rates and revenues of the Stormwater Utility Fund, as well as an increase in the 911 fees revenue. These increases were slightly offset by decreases in the remaining revenue categories.

The General Fund's expenditures were \$1.466 billion or \$182.2 million less than budgeted. This positive variance is primarily attributed to lower than anticipated expenditures in Policy Formulation, Protection of People and Property, and Physical Environment of \$91.8 million, \$30.6 million, and \$43.1 million, respectively. The decrease in Policy Formulation is attributed to vehicle purchases anticipated in 2006 being delayed and lower than anticipated acquisition of services and other commodities. The decrease in Protection of People and Property is attributed to a decrease in Police as a result of higher than budgeted reimbursements from municipal contracts, Law Enforcement Trust Fund and grants approved during fiscal year. The decrease in Physical Environment is attributed to budgeted expenditures related to the Storm water utility capital projects that did not materialized

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Capital Asset and Debt Administration

Capital Assets. At September 30, 2006, the County's total investment in capital assets, net of accumulated depreciation, was \$13.4 billion. This represents an increase of approximately 4.3% 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, 2006 and 2005
(net of depreciation, in thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2005 (Restated) | 2006 | 2005 | 2006 | 2005 (Restated) | 2006 |
| Land | \$ 524,675 | \$ 561,720 | \$ 565,853 | \$ 567,714 | \$ 1,090,528 | \$ 1,129,434 |
| Construction in progress | 607,659 | 265,138 | 2,080,008 | 2,603,943 | 2,687,667 | 2,869,081 |
| Building and building improvements | 970,711 | 1,414,289 | 3,088,987 | 2,949,142 | 4,059,698 | 4,363,431 |
| Infrastructure | 901,818 | 909,135 | 3,142,028 | 3,101,857 | 4,043,846 | 4,010,992 |
| Machinery and equipment | 131,591 | 160,568 | 783,472 | 819,710 | 915,063 | 980,278 |
| Totals | <u>\$ 3,136,454</u> | <u>\$ 3,310,850</u> | <u>\$ 9,660,348</u> | <u>\$ 10,042,366</u> | <u>\$ 12,796,802</u> | <u>\$ 13,353,216</u> |

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

- ❑ \$92 million expended for construction projects related to the Performing Arts Center and the South Miami-Dade Cultural Center,
- ❑ \$23.2 million to purchase the Lightspeed Property at Beacon Tradeport,
- ❑ \$16.2 million for the acquisition of US Coast Guard Parcel & Housing Units,
- ❑ \$9.3 million acquisition of Chiller Plant Property,
- ❑ \$11.4 million for the acquisition of a new Bell Helicopter Air Rescue #5 and the upgrade to Air Rescue #4 helicopter for the Fire Department,
- ❑ \$7.6 million expended for the construction of the 97th Ave flyover, and
- ❑ \$6.3 million for the acquisition of library resources.

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

Aviation Department:

- ❑ \$406.7 million expended for various projects, due to the Aviation Department's ongoing Capital Improvement Program (CIP). The CIP consists of 316 projects with a budgeted cost of approximately \$5.2 billion for construction through fiscal year 2015.

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Water and Sewer Department:

- \$23.3 million expended for various water projects, including treatment facilities, and
- \$38.1 million expended for various wastewater projects

Solid Waste Department

- \$2.5 million expended for facility improvements,
- \$1.1 million expended for the completion of Northeast Station, central Transfer Compactor-Phase I, NE Compactor Phase I, NE Transfer Station Expansion, and Resources Recovery Plant Improvements.

Transit Agency

- During fiscal year 2006 MDT placed 131 new full size buses into service, for a total fleet of 1,008 vehicles.

Public Health Trust

- The Trust continues to expand and improve its facilities. Approximately \$48.3 million was spent in fiscal year 2006 to expand and improve the Health facilities and internal software.

Seaport

- During fiscal year 2006 investment in capital assets increased \$29.6 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.

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Long-Term Liabilities. At September 30, 2006, the County had \$10.584 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, 2006 and 2005 (in thousands)

| | Governmental activities | | Business-type activities | | Total Primary Government | |
|--|-------------------------|--------------|--------------------------|--------------|--------------------------|---------------|
| | 2005 | | 2005 | | 2005 | |
| | (Restated) | 2006 | 2005 | 2006 | (Restated) | 2006 |
| General obligation bonds | \$ 519,126 | \$ 507,316 | \$ 145,710 | \$ 142,215 | \$ 664,836 | \$ 649,531 |
| Special obligation bonds | 1,406,064 | 1,444,085 | 52,940 | 47,310 | 1,459,004 | 1,491,395 |
| Revenue bonds | | | 5,279,006 | 5,672,389 | 5,279,006 | 5,672,389 |
| Loans and notes payable | 178,660 | 272,097 | 650,174 | 622,353 | 828,834 | 894,450 |
| Other (i.e. unamortized premiums, discounts and accretions of interest) | 75,712 | 101,448 | (96,787) | (81,398) | (21,075) | 20,050 |
| Commercial paper notes | | | 313,626 | 365,342 | 313,626 | 365,342 |
| Sub-total Bonds, Notes and Loans | 2,179,562 | 2,324,946 | 6,344,669 | 6,768,211 | 8,524,231 | 9,093,157 |
| Compensated absences | 310,853 | 341,590 | 177,625 | 183,076 | 488,478 | 524,666 |
| Estimated insurance claims payable | 166,396 | 174,805 | 40,967 | 38,720 | 207,363 | 213,525 |
| Environmental remediation | | | 152,793 | 138,162 | 152,793 | 138,162 |
| Landfill closure/postclosure care costs | | | 93,222 | 103,718 | 93,222 | 103,718 |
| Lease agreements | 11,669 | 11,420 | 418,860 | 407,836 | 430,529 | 419,256 |
| Other | 35,607 | 31,574 | 55,070 | 60,873 | 90,677 | 92,447 |
| Totals | \$ 2,704,087 | \$ 2,884,335 | \$ 7,283,206 | \$ 7,700,596 | \$ 9,987,293 | \$ 10,584,931 |

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, 2006, the County had \$8.727 billion in bonds and loan agreements outstanding, other than commercial paper notes. This is a net increase (new debt issued less principal reductions) of \$449 million or 5.4% from the previous year. During the year, the County issued approximately \$919 million 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 |
|---------------|---|---|------------------------|---------------------------|---------------------------|
| BONDS: | | | | | |
| 11/2/05 | Aviation Revenue Bonds, Series 2005A (AMT) | To finance certain airport improvements associated with the Airport's Capital Improvement Plan previously approved by the Board | 4.87% - 5.00% | 10/1/38 | \$ 357,900,000 |
| 11/2/05 | Aviation Revenue Refunding Bonds, Series 2005B (AMT) | To refund the Aviation Revenue Bonds, Series 1995B & the Aviation Revenue Refunding Bonds Series 1995D, originally issued to finance certain airport improvements associated with the Airport's Capital Improvement Plan. | 3.50% - 5.00% | 10/1/21 | 180,345,000 |
| 11/2/05 | Aviation Revenue Refunding Bonds, Series 2005C (Non-AMT) | To refund the Aviation Revenue & Aviation Revenue Refunding Bonds, Series 1995A, C & E, which originally were issued to finance certain airport improvements associated with the Airport's Capital Improvement Plan. | 3.50% - 5.00% | 10/1/25 | 61,755,000 |
| 2/8/06 | Public Service Tax Revenue Bonds (UMSA Public Improvements), Series 2006. | To pay a portion of the cost of a capital improvement program for improvements to, and acquisition of, stormwater drainage systems, existing sidewalks, park development and the beautification of neighborhoods located within the UMSA areas of the County. | 4.12% - 6.25% | 4/1/30 | 28,000,000 |
| 4/27/06 | Transit System Sales Surtax Revenue Bonds, Series 2006 | To pay all or a portion of the cost of certain transportation and transit projects included in the People's Transportation Plan. | 4.00% - 5.00% | 7/1/35 | 186,435,000 |

MIAMI-DADE COUNTY, FLORIDA

BONDS AND LOANS ISSUED DURING THE YEAR

(in thousands)

| Date Issued | Description | Purpose | Interest Rate Range | Final Maturity Date | Original Amount Issued |
|---------------|---|--|------------------------|---------------------------|---------------------------|
| LOANS: | | | | | |
| 5/23/06 | Sunshine State Governmental Financing Commission, Series 1986 Program | To pay the cost of, or reimbursing the County for the cost of constructing certain capital infrastructure improvements for the Naranja Lakes Community Redevelopment Agency (Naranja Lakes CRA). | Variable | 7/01/16 | 5,000,000 |
| 9/7/06 | Sunshine State Governmental Financing Commission, Series 2006, Various Taxable AMT and Non-AMT. | To pay or reimburse the County for the cost of acquiring certain capital equipment and/or constructing certain capital improvements for various County departments and to fund the required reserve funds. | Variable | 9/1/26 | 100,000,000 |
| 9/30/06 | State Revolving Fund (Miami-Dade Water and Sewer Dept.) | To finance construction of water and wastewater treatment facilities | 2.56%-4.17% | 10/1/24 | 4,100 |

Total long-term debt issued during the year

\$ 919,439,100

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 3.9% from 4.7%, a decrease of approximately 0.8% 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)

MIAMI-DADE COUNTY, FLORIDA

- The occupancy rate for commercial real estate was 89.7%, an increase of approximately 2.2% from the previous year. (Source: Greater Miami Convention and Visitors Bureau)
- The number of visitors to Miami-Dade County was approximately 11.6 million. This represents an increase of approximately 2.5%. The total visitors in FY 2006 exceeded the 11.2 million overnight visitors recorded in FY 2000 (Source: Greater Miami Convention and Visitors Bureau)
- The average sales price for existing single family homes increased to \$376,550. This represents more than 2.5 times higher than the CPI for the period. However, condominium prices experienced an almost flat appreciation rate in fiscal year 2006. (Source: The Beacon Council / Miami-Dade County Florida)

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 1st Street, Suite 2620
Miami, Florida 33128-1980