

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF
MIAMI-DADE COUNTY, FLORIDA)

FINANCIAL STATEMENTS
September 30, 2014

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(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Board of County Commissioners
Miami-Dade County, Florida
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Miami-Dade Transit ("MDT"), an enterprise fund of Miami-Dade County, Florida (the "County"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MDT as of September 30, 2014, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only MDT and do not purport to, and do not, present fairly the financial position of the County as of September 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2, during the year ended September 30, 2014, MDT adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. MDT restated net position as of October 1, 2013 for the cumulative effect of the application of this pronouncement as discussed in Note 14. Our opinion is not modified with respect to this matter.

Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 3–9 and 38, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015 on our consideration of MDT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDT's internal control over financial reporting and compliance.



Crowe Horwath LLP

Fort Lauderdale, Florida
March 16, 2015

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014
(Unaudited)

Overview

Miami-Dade Transit (MDT or the Department) is a department of Miami-Dade County, Florida (the County). MDT's management's discussion and analysis (MD&A) is designed to (i) assist the reader in focusing on significant financial issues, (ii) provide an overview of MDT's financial activity, and (iii) identify changes in MDT's financial position. It serves as an introduction to the financial statements of MDT for the fiscal year ended September 30, 2014. The MD&A represents management's analysis of MDT's financial condition and performance. The MD&A should be read in conjunction with MDT's financial statements. The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements.

The statement of net position presents the financial position of MDT as of a specific date. It provides information about the nature and amount of all assets, deferred outflows of resources, liabilities, deferred inflows of resources, with net position being the difference. Increases or decreases in net position may serve as a useful indicator of whether the financial position of MDT is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how MDT's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, which may not coincide with the timing of the related cash flows.

The statement of cash flows presents the cash activities of MDT segregated into the following four major categories: operating, non-capital financing, capital and related financing, and investing. The statement of cash flows also presents the changes in cash and cash equivalents of MDT.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of data provided in the financial statements.

(Continued)

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MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014
(Unaudited)

Financial Highlights

Net Position

A summary of MDT's net position at September 30, 2014 and 2013 is shown below as Table 1. Net position may serve over time as a useful indicator of MDT's financial position. MDT's total net position as of September 30, 2014 was approximately \$660.5 million. During fiscal year 2014, MDT's net position decreased by approximately \$29.9 million or 4.3%. Total liabilities decreased by \$5.8.

Table 1
Summary of Net Position

	September 30,	
	2014	2013
	(Dollars In Thousands)	
Assets		
Total current assets	\$ 244,706	\$ 200,634
Noncurrent assets		
Restricted assets and other assets	410,015	480,670
Total capital assets	1,645,647	1,667,083
Total noncurrent assets	2,055,662	2,147,753
Total assets	<u>\$ 2,300,368</u>	<u>\$ 2,348,387</u>
Liabilities		
Total current liabilities	\$ 335,449	\$ 288,047
Total long-term liabilities	1,304,400	1,357,631
Total liabilities	<u>1,639,849</u>	<u>1,645,678</u>
Net Position		
Net Investment in capital assets	727,687	770,395
Restricted	67,302	80,504
Unrestricted deficit	(134,470)	(148,190)
Total net position	<u>660,519</u>	<u>702,709</u>
Total liabilities and net position	<u>\$ 2,300,368</u>	<u>\$ 2,348,387</u>

Cash Deficits

As of September 30, 2014 MDT's cash deficit was \$159.0 million, which is classified as due to other County Funds in the accompanying statement of net position. This deficit will be reimbursed from federal and state grantor agencies in the amount of \$139.2 million, and the remaining \$19.8 million will be reimbursed from operational savings to be realized in future years. This year, MDT's capital funds' cash deficit was \$146.2 million of which \$139.2 million will be reimbursed from federal and state grantor agencies compared to \$118.4 million last year, representing an increase of \$27.8 in the current year over the prior year.

(Continued)

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Financial Highlights (Continued)

The total cash deficit at September 30, 2014 was \$158.9 million as compared to \$116.8 million as of September 30, 2013. This deficit excludes a cash balance of \$318 million, which mainly represents the unspent proceeds of surtax bonds, which was issued to fund the Peoples' Transportation Plan (PTP) projects and debt service reserve account. The entire portion of these deficits expected to be repaid within one year is shown on the financial statements as a current liability and included as a part of "due to other County funds" balance in the amount of \$158.9 million. MDT continues to be dependent on funding from the County and various other governmental entities.

A summary of changes in net position is presented below as Table 2.

Table 2

Changes in Net Position

	Years Ended September 30,	
	2014	2013
	(Dollars in Thousands)	
Operating revenues	\$ 125,961	\$ 120,512
Operating expenses excluding depreciation	(488,591)	(489,772)
Depreciation	(69,516)	(78,868)
Operating loss	(432,146)	(448,128)
Non-operating revenues (expenses)		
Governmental subsidies	111,089	112,515
Interest expense, net of capitalization	(57,623)	(59,938)
Investment income (loss)	(303)	(2,704)
Other non-operating, net	12,604	(2,954)
Total non-operating (expenses) revenues, net	65,767	46,919
Loss before contributions and transfers	(366,379)	(401,209)
Build America Bonds Subsidy	6,480	6,679
Capital contributions from CITT	52,920	45,671
Capital contributions from federal and state sources	11,425	24,441
Transfers from Miami-Dade County	167,869	162,191
Transfers from CITT	97,782	106,109
Total capital contributions and transfers	336,476	345,091
Change in net position	(29,903)	(56,118)
Net position, beginning of the year, restated (Note 14)	690,422	758,827
Net position, end of the year	\$ 660,519	\$ 702,709

Changes in Net Position

Total operating revenues increased by approximately \$5.4 million or 4.5%, and operating expenses, excluding depreciation, decreased by approximately \$1.1 million or 0.2%, which resulted in an overall decrease in the operating loss before depreciation, of approximately \$6.6 million. The increase in operating revenues is mainly due to passenger fare revenue.

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Financial Highlights (Continued)

MDT's total operating expenses, excluding depreciation, were approximately \$488.6 million for fiscal year 2014 as compared to \$489.8 million for fiscal year 2013.

Total governmental subsidies and contributions from the County and other governmental entities for fiscal year 2014 was approximately \$441.1 million, a decrease of \$9.8 million or 2.2% from the prior year. The decrease in fiscal year 2014 was primarily due to an decrease in federal revenues of approximately \$25.4 million, decrease in contributions and transfers from the Citizens' Independent Transportation Trust ("CITT") of \$1.1 million. These decreases in revenues were offset by the increase in state subsidies of \$10.7 million and an increase in transfers from the County of \$5.7 million. Additional funds were transferred in from CITT for operations and capital projects due to the system unification.

Subsidies for Operating Assistance

MDT cannot generate sufficient revenues from operations to meet its operating expenses. Consequently, MDT is dependent on continued funding from the County and various other governmental entities, which provide financial assistance to continue its operations. Subsidies for capital and operating assistance for the years ended September 30, 2014 and 2013 were as follows:

Table 3

Schedule of Capital and Operating Assistance

	Years Ended September 30,	
	2014	2013
	(Dollars In Thousands)	
Federal		
FTA assistance	\$ 65,166	\$ 90,606
State		
FDOT assistance	39,092	28,364
Local		
Option gas tax	18,256	17,986
Total governmental subsidies	<u>122,514</u>	<u>136,956</u>
Total transfers from the County	167,869	162,191
Total contributions and transfers from CITT	<u>150,702</u>	<u>151,780</u>
Total governmental subsidies and contributions	<u><u>\$ 441,085</u></u>	<u><u>\$ 450,927</u></u>

Capital Assets

At the end of fiscal year 2014, MDT had approximately \$3.0 billion invested in a broad range of capital assets. During fiscal year 2014, MDT operated a total fleet of approximately 819 buses, 136 rail cars and 39 metromovers. MDT's construction in progress consists of costs related to various ongoing projects.

(Continued)

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Financial Highlights (Continued)

The following table summarizes the composition of MDT's capital assets, net of accumulated depreciation, as of September 30, 2014 and 2013. A more detailed presentation can be found at Note 4 to the financial statements.

Table 4

Capital Assets Summary

	September 30,	
	2014	2013
	(Dollars In Thousands)	
Land	\$ 254,345	\$ 254,345
Buildings and guideway structures	1,876,222	1,874,031
Transportation and other equipment	710,986	717,374
	<u>2,841,553</u>	<u>2,845,750</u>
Construction in progress	128,332	81,080
Total capital assets	<u>2,969,885</u>	<u>2,926,830</u>
Accumulated depreciation	<u>(1,324,238)</u>	<u>(1,259,747)</u>
Total capital assets, net	<u><u>\$ 1,645,647</u></u>	<u><u>\$ 1,667,083</u></u>

Debt Administration

The following table summarizes the composition of MDT's debt as of September 30, 2014 and 2013. A more detailed presentation can be found at Note 6 to the financial statements.

Table 5

Summary of Debt Obligations

	September 30,		Rates
	2014	2013	
	(Dollars In Thousands)		
GE Penske Loan	\$ 4,748	\$ 6,957	4.8%
Surtax Revenue Bonds	1,136,753	1,151,294	3.0 - 6.9%
Capital Assets Acquisition Bonds	18,842	18,835	7.5%
Total debt obligations	<u><u>\$ 1,160,343</u></u>	<u><u>\$ 1,177,086</u></u>	

MDT has decreased its debt by approximately \$16.7 million in fiscal year 2014. The decrease is primarily due to principal payment and no new bond or loan issuance.

MDT had total outstanding debt of approximately \$1.2 billion as of September 30, 2014, which is comparable to last fiscal year.

(Continued)

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Economic Factors and Next Year's Budget

A year ago, in the year-end outlook for the local economy, it was anticipated that FY 2014 enjoy a modest acceleration in growth derived from an expected strong performance in the real estate and construction sectors and continued strength in the tourism industry. Slowing growth in the emerging markets, and more importantly Latin America, was expected to be a drag on international trade activity. Private sector employment would increase due to more activity in real estate and stable to positive growth in all other sectors.

MDT, the fourteenth largest public transit system in the country (based on passenger trips) and the largest transit agency in Florida, plans, markets, and provides regional public transportation services in Miami-Dade County. MDT also implements all of the County's transit-related capital projects including those in the People's Transportation Plan (PTP), like the expansion of the Metrorail and Metrobus systems.

As part of the Transportation strategic area, MDT provides approximately 29 million miles of Metrobus revenue service along 93 routes with a fleet of 713 full-sized buses, 25 articulated buses, and 77 minibuses, 2 contracted routes, a 25 mile dual track elevated Metrorail system, a 20 mile Bus Rapid Transit (BRT) line that is the largest in the United States, and a 4.4 mile dual lane elevated people mover system. MDT also provides Special Transportation Services (STS) to eligible participants.

MDT works closely with the Federal Transit Administration (FTA), the Florida Department of Transportation (FDOT), the Metropolitan Planning Organization of the Miami Urbanized Area (MPO), the Citizens' Independent Transportation Trust (CITT), the South Florida Regional Transportation Authority (SFRTA), Miami-Dade's Public Works and Waste Management Department (PWWM), citizen advocacy groups, and other transportation stakeholders.

In FY 2014-15, the Department will continue the design and construction of a corridor expansion program to include the North and East West corridors, funded through the PTP and FDOT grant funding, which will progress from enhanced bus service to a BRT system in the future.

In FY 2014-15, the Department will continue: the construction of park and ride facilities at Kendall Drive and SW 127 Avenue (\$2.8 million); SW 344 Street and the South Miami-Dade Busway (\$10.8 million); Quail Roost Drive (\$3.9 million); and begin construction for a pedestrian overpass at University Station (\$6.6 million).

The FY 2014-15 Adopted Budget includes continued funding for the replacement of 136 Metrorail vehicles (\$37.3 million programmed in FY 2014-15) for a total project cost of \$377 million. The Department will also continue with Metromover improvements to include: Metromover Input Output Systems Replacement (\$4.8 million); Metromover Data Transmission System Replacement (\$5.4 million); and the Replacement of Mover Platform LCD Signs Control Unit (\$2.4 million).

In FY 2013-14, the Countywide General Fund Maintenance of Effort (MOE) is \$167.8 million, a 3.5 percent increase above the FY 2012-13 MOE of \$162.2 million, as adopted in the People's Transportation Plan and as amended in May of 2005.

(Continued)

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(Unaudited)

Economic Factors and Next Year's Budget (Continued)

In FY 2014-15, the Countywide General Fund Maintenance of Effort (MOE) is \$167.8 million, the same level as in FY 2013-14. The Board of County Commissioners and CITT approved a one-year waiver of the 3.5 percent MOE annual increase as adopted in the People's Transportation Plan.

The FY 2014-15 Adopted Budget funds the South Florida Regional Transportation Authority (SFRTA) at the statutory minimum of \$4.2 million; this amount reflects the required minimum for operating needs of \$1.6 million (Section 343.58(2) Florida Statutes) and for capital needs of \$2.7 million (Section 343.58(1) Florida Statutes).

In FY 2014-15, the Department will continue a Metrobus preventive maintenance program to ensure reliability of the bus fleet including: process mapping to realize new efficiencies in maintenance control, maintenance, inventory parts and warranty systems; the program includes a 3,000 mile inspection covering oil/filter replacement, safety checks for brakes, tires, wheel lug nuts, electrical systems. It will also include: a 6,000 mile inspection focused on mechanical/safety diagnostic and corrective actions to ensure vehicles meet technical specifications including oil pressure, fluid analysis, alternator performance, and brake and bellows (ride height) performance.

Projects funded by federal stimulus revenues in FY 2014-15 include Transit Operations System (TOS) Replacement (\$4.3 million), Graphics and Signage Upgrades (\$7.5 million), Replacement of five 40-FT Busses (\$2.3 million), Replacement of passenger vehicles (\$1 million), Kendall Drive Signalization (\$2.3 million), Mainline Video Upgrade (\$2 million), and Mover Fiber Replacement (\$4.9 million).

Request for Information

This financial report is designed to provide customers, creditors and other interested parties with a general overview of the MDT's finances. Questions concerning this report or requests for additional information should be directed to the MDT Controller, Miami-Dade Transit, 701 NW 1st Court, 13th Floor, Miami, Florida 33136.

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
STATEMENT OF NET POSITION
September 30, 2014
(Dollars in Thousands)

Assets

Current assets

Cash and cash equivalents	\$ 268
Governmental assistance receivables	
Federal	135,973
State of Florida	20,879
Local governments	90
Other receivables	3,209
Material and supplies inventories	36,324
Prepaid expenses	1,324
Total current unrestricted assets	<u>198,067</u>

Restricted assets

Investments	<u>46,639</u>
Total current assets	<u>244,706</u>

Non-current assets

Restricted assets

Cash and cash equivalents	11,245
Investments	398,770
Total non-current restricted assets	<u>410,015</u>

Capital assets

Land	254,345
Construction in progress	128,332
Buildings and guideway structures	1,876,222
Transportation and other equipment	710,986
Accumulated depreciation	(1,324,238)
Total capital assets	<u>1,645,647</u>

Total non-current assets	<u>2,055,662</u>
Total assets	<u>2,300,368</u>

(Continued)

MIAMI-DADE TRANSIT
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 STATEMENT OF NET POSITION
 September 30, 2014
 (Dollars in Thousands)
 (Continued)

Liabilities

Current liabilities	
Accounts payable	\$ 22,355
Accrued expenses	11,181
Compensated absences	11,305
Unearned revenues	2,141
Capital lease leaseback benefit	723
Due to other County funds	166,159
Loans payable to CITT	21,219
Loans payable	2,317
Total current liabilities payable from unrestricted assets	<u>237,400</u>
Current liabilities payable from restricted assets	
Accounts payable	5,413
Deposits payable	728
Accrued interest on loans and bonds	14,716
Accrued interest on capital lease leaseback obligations	5,323
Capital lease leaseback obligations	52,449
Bonds payable	19,420
Total current liabilities payable from restricted assets	<u>98,049</u>
Total current liabilities	<u>335,449</u>
Non-current liabilities	
Compensated absences	23,754
OPEB obligation	6,824
Loans payable to CITT	58,133
Capital lease leaseback obligations	73,754
Capital lease leaseback benefit	2,329
Loans payable	2,431
Bonds payable	1,136,175
Other	1,000
Total non-current liabilities	<u>1,304,400</u>
Total liabilities	<u>1,639,849</u>

Net Position

Net investment in capital assets	727,687
Restricted for	
Capital lease leaseback obligations	7,222
Debt service	60,080
Unrestricted deficit	<u>(134,470)</u>
Total net position	<u>\$ 660,519</u>

See accompanying notes to financial statements.

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended September 30, 2014
(Dollars in Thousands)

Operating revenues

Passenger fares	\$ 115,494
Advertising	4,444
Special transportation (co-payment)	6,023
Total operating revenues	<u>125,961</u>

Operating expenses

Labor	215,093
Fringe benefits	65,570
Purchased transportation	47,615
Services	67,304
Fuel and traction power	45,315
Materials and supplies	33,845
Utilities	5,286
Casualty and liability	4,374
Leases and rentals	4,189
Depreciation expense	69,516
Total operating expenses	<u>558,107</u>
Operating loss	<u>(432,146)</u>

Non-operating revenues (expenses)

Governmental grants and subsidies	
Federal	54,684
State of Florida	38,149
Local option gas tax	18,256
Investment loss	(303)
Rental income	2,476
Interest expense	(57,623)
Other income	10,128
Net non-operating revenues	<u>65,767</u>
Loss before capital contributions and transfers	<u>(366,379)</u>

(Continued)

MIAMI-DADE TRANSIT
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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended September 30, 2014
(Dollars in Thousands)
(Continued)

Capital contributions and transfers

Build America Bonds Subsidy	\$ 6,480
Capital contributions	
Federal	10,482
State of Florida	943
CITT	52,920
Transfers from CITT	97,782
Transfers from County	167,869
Total capital contributions and transfers	<u>336,476</u>
Change in net position	<u>(29,903)</u>
Net position, beginning of year, restated, (Note 14)	<u>690,422</u>
Net position, end of year	<u><u>\$ 660,519</u></u>

See accompanying notes to financial statements.

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
STATEMENT OF CASH FLOWS
Year Ended September 30, 2014
(Dollars in Thousands)

Cash flows from operating activities

Cash received from customers	\$ 128,864
Cash paid to suppliers	(213,791)
Cash paid to employees for services	(280,818)
Net cash used in operating activities	<u>(365,745)</u>

Cash flows from non-capital financing activities

Governmental grants and subsidies received	54,928
Cash received from County and CITT for transfers	266,234
Cash received from Miami-Dade County for advances	40,728
Cash received from Miami-Dade County for LOGT	18,256
Cash paid to County and CITT for advances and loans	(17,755)
Net cash provided by non-capital financing activities	<u>362,391</u>

Cash flows from capital and related financing activities

Acquisition and construction of capital assets	(54,696)
Principal paid on bonds and loans	(15,210)
Interest paid on bonds and loans	(61,247)
Cash received from CITT for capital contributions	52,920
Cash received from federal and state sources for capital contributions	12,609
Other non-operating items	17,964
Net cash used in capital and related financing activities	<u>(47,660)</u>

Cash flows from investing activities

Sales of investment securities, net	60,177
Interest received on investments	1,698
Net cash provided by investing activities	<u>61,875</u>
Change in cash and cash equivalents	10,861
Cash and cash equivalents, beginning of year	<u>652</u>
Cash and cash equivalents, end of year	<u><u>\$ 11,513</u></u>

(Continued)

MIAMI-DADE TRANSIT
 (AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
 STATEMENT OF CASH FLOWS
 Year Ended September 30, 2014
 (Dollars in Thousands)
 (Continued)

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (432,146)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	69,516
(Increase) decrease in operating assets	
Other receivables	596
Materials and supplies inventories	(4,313)
Prepaid expenses	167
Increase (decrease) in operating liabilities	
Accounts payable	(1,481)
Compensated absences, accrued expenses and OPEB obligation	(155)
Other liabilities	2,071
	<u>2,071</u>
Net cash used in operating activities	<u>\$ (365,745)</u>

Supplemental disclosures of non-cash capital and related financing activities

Repayment of capital lease leaseback obligations by collateral agents	\$ 9,146
Amortization of bond premiums, discounts and issuance costs	\$ 2,015

Reconciliation of cash and cash equivalents, end of year

Unrestricted current cash and cash equivalents	\$ 268
Restricted non-current cash and cash equivalents	<u>11,245</u>
Total cash and cash equivalents, end of year	<u>\$ 11,513</u>

See accompanying notes to financial statements.

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - ORGANIZATION

Miami-Dade Transit (MDT) is a department of Miami-Dade County, Florida (the County), charged with the operation of a unified public transit system. MDT was created on October 28, 1986, as a result of the restructuring of the former Miami-Dade County Transportation Administration. MDT is managed by a director appointed by and directly responsible to the County Mayor, responsible for the management, construction and operation of Metrorail, Metrobus, Metromover, and Special Transportation Systems. The accompanying financial statements reflect the combined operations of such systems.

On November 5, 2002, the voters of the County approved a half of one percent Charter County Transit System Surtax (the Surtax) for the purpose of funding transit and roadway improvements in the County. The People's Transportation Plan (PTP) identified specific projects and roadway improvements that can be supported by the proposed Surtax. The Surtax may be used for transportation and roadway improvements as well as to meet capital and operating needs of MDT.

The accompanying financial statements present MDT and are not intended to present fairly the financial position of the County and the results of its operations and where applicable, cash flows thereof, in conformity with accounting principles generally accepted in the United States of America.

MDT does not generate sufficient revenues from operations to meet its operating expenses. Consequently, MDT is dependent on continued funding from the County and the various other governmental entities, which provide financial assistance to continue its operations (see Notes 9 and 12).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Reporting: MDT operates as an enterprise fund of the County. An enterprise fund is used to account for the financing of services to the public on a continuing basis with costs recovered primarily through user charges. Accordingly, MDT's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

In March 2012, the Government Accounting Standards Board ("GASB") issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). This Statement is effective for fiscal years beginning after December 15, 2012. The impact on MDT's financial statements was a restatement of the beginning net position to write off debt issuance cost which were previously capitalized. See Note 14 for more detailed information.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB No. 10 and No. 62*, which establishes accounting and financial reporting standards that improve governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement also amends Statement 62 by modifying the specific guidance on accounting for operating lease payments that vary from a straight-line basis. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The implementation of this Statement did not have a material impact on the MDT.

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*, which establishes accounting and financial reporting standards requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. This Statement requires a government that has issued an obligation guaranteed in a non-exchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. The implementation of this Statement did not have a material impact on MDT.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows, disclosures of contingent amounts at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statement of cash flows, MDT considers short-term investments (including restricted assets), with an original maturity of three months or less from the date acquired to be cash equivalents.

Investments and Investment Income: Investments are reported at fair value, except for interest-earning investment contracts that are non-participating contracts, and participating interest-earning investment contracts and money market investments that have a remaining maturity at the time of purchase of one year or less. These investments are reported at amortized cost provided that their fair values are not significantly affected by the impairment of the credit standing of the issuers or other factors. Participating interest-earning investment contracts are those contracts whose values are affected by market (interest rate) changes. Investment income is reported as non-operating revenue when earned.

Restricted Assets: Assets designated by grant terms for capital acquisitions, held to pay capital leases and restricted by specific bond covenants and other legal restrictions are classified in the accompanying financial statements as restricted assets.

Application of Restricted and Unrestricted Resources: MDT's policy when both restricted and unrestricted resources are available to be used for a certain purpose, is to use restricted resources first, and then use unrestricted resources as needed.

Materials and Supplies Inventories: Inventories are valued at the lower of cost, determined using an average cost method, or market. Inventories consist primarily of maintenance materials and supplies for rolling stock and other transportation equipment.

Capital Assets: Capital assets are recorded at cost. Expenses for maintenance, repairs and minor renewals and betterments are expensed as incurred. Capital assets are defined as those assets with an initial, individual cost of \$5,000 or more and a useful life of more than one year.

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MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major renewals and betterments are treated as capital additions. Depreciation is provided using the straight-line method over the estimated useful life of the respective assets. The major categories of depreciable capital assets in service and their estimated useful lives are as follows:

Buildings and guideway structures	50 years
Transportation and other equipment	3 – 30 years

Capital Lease Leaseback Benefit: The Capital Lease Leaseback Benefit represents the unamortized balance of the initial benefits received as a result of MDT's capital lease leaseback transactions. The Capital Lease Leaseback Benefits are amortized using the straight-line method over the life of the respective leases.

Pension Plan: MDT, through the County, contributes to the Florida Retirement System, a cost-sharing multiple employer plan. MDT recognizes pension expense equal to its required contributions and a liability for any unpaid contributions.

Postemployment Benefits Other Than Pensions (OPEB): The County administers a single-employer defined benefit healthcare plan (the OPEB Plan) that provides postretirement medical and dental coverage to retirees as well as their eligible spouses and dependents. Benefits are provided through the County's group health insurance plan, which covers both active and retired members. Benefits are established and may be amended by the Miami-Dade County Board of County Commissioners ("the BCC"), whose powers derive from F.S. 125.01(3)(a). The OPEB Plan does not issue a publicly available financial report.

Benefits - The medical plans provide hospital, medical and pharmacy coverage. As of September 30, 2014, the pre-65 retirees were able to select from one of these medical plans:

- AvMed POS
- AvMed HMO High Option
- AvMed HMO Low Option

As of September 30, 2014, post-65 retirees (Medicare age) were able to select from one of these medical plans:

- AvMed Medicare Supplement Low Option with Rx
- AvMed Medicare Supplement High Option with Rx
- AvMed Medicare Supplement High Option without Rx

The County only contributes to post-65 retirees electing one of the above Medicare supplement plans.

Funding Policy - The County contributes to both the pre-65 and post-65 retiree medical coverage. Retirees pay the full cost of dental coverage. Medical contributions vary based on plan and tier. For pre-65 retirees, the County explicitly contributes 15% of the cost for the AvMed POS plan, and 33% for the AvMed HMO High and AvMed HMO Low plans. The post-65 retiree contributions also vary by plan and tier with the County contributing an average of 33% of the entire plan cost. However, it is the County's policy that after fiscal year 2008, its per capita contribution for retiree health care benefits will remain at the 2008 dollar level. As a result, the retiree contributions will be increased to the extent necessary so that they are sufficient to provide for the difference between the gross costs and the fixed County contributions.

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MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended September 30, 2014, the County contributed \$23.8 million to the plan. The postretirement medical and dental benefits are currently funded on a pay-as-you go basis (i.e., the County funds on a cash basis as benefits are paid). No assets have been segregated and restricted to provide postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation - MDT's annual OPEB cost is calculated based on the employers annual required contribution, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table presents the changes in MDT's net OPEB obligation during the year ended September 30, 2014 (dollars in thousands):

Annual required contribution	\$ 3,147
Interest on net OPEB obligation	286
Adjustment to annual required contribution	<u>(318)</u>
Annual OPEB cost	3,115
Contributions made	<u>(2,798)</u>
Change in net OPEB obligation	317
Net OPEB obligation, beginning of year	<u>6,507</u>
Net OPEB obligation, end of year	<u><u>\$ 6,824</u></u>

MDT's net OPEB obligation as of September 30, 2014, 2013 and 2012, and its annual OPEB cost and percentage of annual OPEB cost contributed for the years then ended were as follows (dollars in thousands):

Fiscal Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 3,115	89.8%	\$ 6,824
2013	\$ 3,581	66.6%	\$ 6,507
2012	\$ 3,435	75.5%	\$ 5,311

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funded Status - The schedule of funding progress below presents information about the Plan's funded status as of the date of its most recent actuarial valuation (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ([b-a]/c)
October 1, 2013	\$ -	\$ 330,042	\$ 330,042	0%	\$ 1,430,604	23.1%

MDT's portion of the County's AAL was approximately \$40.2 million.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term prospective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following actuarial methods and significant assumptions were used in determining the annual required contribution for the year ended September 30, 2014 and the information about the Plan's funded status presented above:

Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll, closed
Remaining amortization period	24 years
Discount rate	4.4%
Payroll growth rate	3.0%
Health care cost trend rate	
Medical	Medical/Rx 8.0% initial to 5.0% ultimate
Mortality table	RP 2014 applied on a gender-specific basis

Furthermore, the valuation assumes that the County will continue to fund the liability on a pay-as-you-go basis.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: MDT accounts for compensated absences by accruing a liability for employees' compensation for future absences according to the guidelines established by GASB Statement No. 16, *Accounting for Compensated Absences*. MDT policy permits employees to accumulate unused vacation and sick pay benefits that will be paid to them upon separation from service. MDT recognizes a liability and expense in the period vacation and sick benefits are earned. As of September 30, 2014, compensated absences were approximately \$35 million.

Interest on Indebtedness: Interest costs are charged to expense as incurred, except for interest related to borrowings used for construction projects which is capitalized, net of interest earned on construction funds borrowed. During the year ended September 30, 2014, MDT incurred interest costs of approximately \$61.1 million, which includes capitalized interest costs of approximately \$3.5 million.

Bond Premiums/Discounts: Bond premiums/discounts are amortized using the effective interest method and straight line method respectively, over the life of the related bonds. Bonds payable are presented net of unamortized premiums/discounts.

Subsidies and Grants: Subsidies and grants for operating assistance are recorded as non-operating revenues in the statement of revenues, expenses, and changes in fund net position in the accounting period in which all eligibility requirements are met.

Grants received as reimbursements for specific purposes are recognized when eligible expenditures are incurred. Grants earned but not received are recorded as governmental assistance receivables in the accompanying financial statements. Grants received but not earned are recorded as unearned revenues in the accompanying financial statements.

Unearned Revenues: Unearned revenues consist of grants received, but for which MDT has not met all eligibility requirements imposed by grantors and sale of passes in advance for which service are to be rendered in the subsequent fiscal years.

Operating and Non-Operating Items: MDT defines operating revenues as those revenues that arise from charges to customers and users for services provided by MDT. Operating expenses are those expenses incurred in connection with providing such services. Operating revenues are recorded as earned while operating expenses are recorded as incurred. Non-operating revenues and expenses include revenues and expenses derived from activities that are incidental to MDT's operations.

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MIAMI-DADE TRANSIT
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NOTES TO FINANCIAL STATEMENTS
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NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County pools substantially all cash and investments, except for separate cash and investment accounts that are maintained to comply with legal or contractual requirements. All such separate accounts are also managed by the County. MDT's equity in pooled cash and investments is allocated between "cash and cash equivalents" and "investments" pro rata based on the carrying amount of each component relative to the total cash and investment pool.

All public deposits are required to be maintained with qualified public depositories pursuant to FS 280, *Florida Statutes*. Qualifying financial institutions are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

The County is authorized to invest in the following instruments: (1) the Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act; (2) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized statistical rating organization; (3) interest-bearing time deposits or savings accounts with qualified public depositories; (4) direct obligations of the United States Treasury; (5) federal agencies and instrumentalities; (6) securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio is limited to the obligations of the United States government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; (7) commercial paper of prime quality with a stated maturity of 270 days or less from the date of its issuance, which has the highest letter and numerical rating from at least two rating agencies; (8) bankers' acceptances that have a stated maturity of 180 days or less from the date of their issuance, have the highest letter and numerical rating from at least two rating agencies, are drawn on and accepted by commercial banks and which are eligible for purchase by the Federal Reserve Bank; (9) investments in repurchase agreements collateralized by authorized securities described in this paragraph and governed by a standard SIFMA Master Repurchase Agreement; (10) securities lending agreements in which authorized securities or investments described in this paragraph are loaned to securities dealers or financial institutions, provided the loan is collateralized by cash or securities having a market value of at least 102% of the market value of the securities loaned upon initiation of the transaction; and (11) municipal securities issued by United States state or local governments, having at time of purchase, a stand-alone credit rating of AA or better assigned by two or more nationally recognized statistical rating organizations or a short-term credit rating of A1 / P1 or equivalent from one or more such organizations.

(Continued)

MIAMI-DADE TRANSIT
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NOTES TO FINANCIAL STATEMENTS
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NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Following is a summary of MDT's cash, cash equivalents and investments as of September 30, 2014 (dollars in thousands):

	Carrying Value	Credit Rating	Weighted Average Maturity (In Years)
Cash and cash equivalents			
Cash on hand	\$ 268		
Deposits with financial institutions	274		
Equity in pooled cash and investments	10,971		
Total cash and cash equivalents	<u>11,513</u>		
Investments			
Equity in pooled cash and investments	306,660		
U.S. Treasury STRIPS	46,328	AAA	2.99
Other ¹	92,421	A or above	
Total investments	<u>445,409</u>		
Total cash, cash equivalents and investments	<u>\$ 456,922</u>		

(1) Other investments consist of investment contracts pledged as collateral to sublessors under the County's capital lease leaseback arrangements. The contracts are valued at the carrying value of the corresponding liabilities, which approximates fair value.

As of September 30, 2014, total cash, cash equivalents and investments were restricted as follows (dollars in thousands):

Restricted for	
Capital projects	\$ 242,381
Refundable security deposits	728
Repayment of capital lease leaseback obligations	138,749
Debt service	<u>74,796</u>
Total restricted assets	<u>\$ 456,654</u>

The County's policies for managing its exposure to various risks relating to its deposits and investments are summarized below:

Interest Rate Risk: The County limits its exposure to interest rate risk by (1) matching investment maturities with known cash needs and anticipated cash flow requirements; (2) requiring operating funds to maintain a weighted-average maturity of no longer than twelve months; (3) requiring investments for bond reserves, construction funds, and other non-operating funds to have terms appropriate for the need for funds and in accordance with debt covenants; and (4) limiting the maturity of individual investments to five years or less.

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MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
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NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk: The County limits its exposure to credit risk by limiting its investment in debt securities to those having the highest letter or numerical ratings from one or more nationally recognized statistical rating organization.

Custodial Credit Risk: The County limits its exposure to custodial credit risk by requiring deposits to be maintained with qualified public depositories. Additionally, all securities purchased and/or collateral obtained by the County must be designated as assets of the County and held in safekeeping by a qualified public depository in accounts separate and apart from the assets of the financial institution. Accordingly, the County's deposits and investments were not exposed to custodial credit risk as of September 30, 2014.

Concentration of Credit Risk: The County limits its exposure to credit risk by limiting investments issued by any one issuer to 10% of the total investment portfolio for eligible bankers' acceptances and repurchase agreements, and 5% for most other investments. Direct obligations of the U.S. Treasury, and federal agencies and instrumentalities are excluded from these limitations.

Foreign Currency Risk: The County limits its exposure to foreign currency risk by excluding foreign investments as an investment option.

NOTE 4 - CAPITAL ASSETS

Capital asset activity and changes in accumulated depreciation for the year ended September 30, 2014 were as follows (dollars in thousands):

	Balance at September 30,			Balance at September 30,
	2013	Additions	Deletions	2014
Capital assets not being depreciated				
Land	\$ 254,345	\$ -	\$ -	\$ 254,345
Construction in progress	81,080	47,976	(724)	128,332
Total capital assets not being depreciated	335,425	47,976	(724)	382,677
Capital assets being depreciated				
Buildings and guideway structures	1,874,031	6,500	(4,309)	1,876,222
Transportation and other equipment	717,374	1,866	(8,254)	710,986
Total capital assets being depreciated	2,591,405	8,366	(12,563)	2,587,208
Less accumulated depreciation for				
Buildings and guideway structures	(801,768)	(38,325)	1,678	(838,415)
Transportation and other equipment	(457,979)	(31,122)	3,278	(485,823)
Total accumulated depreciation	(1,259,747)	(69,447)	4,956	(1,324,238)
Total capital assets being depreciated, net	1,331,658	(61,081)	(7,607)	1,262,970
Total capital assets, net	\$ 1,667,083	\$ (13,105)	\$ (8,331)	\$ 1,645,647

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MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
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NOTE 5 - CAPITAL LEASE LEASEBACK OBLIGATIONS

The County, on behalf of MDT, leases certain assets to third parties (the Sublessors) and simultaneously leases those assets back (leases). The Sublessors, upon execution of the leases, fully prepaid their lease obligations to the County. The County simultaneously invested a portion of the upfront payments in investments to equal early buy-out options in the leases on the early buy-out dates. As of September 30, 2014, the fair value of the investments was approximately \$138.7 million. The amount of the upfront payments received, less the amounts invested and related expenses of entering into the leases, is amortized over the lives of the leases. If the County does not exercise the early buy-out options the County will be required to make lease payments through the end of the leases' original terms.

The following table summarizes MDT's capital lease leaseback transactions outstanding as of September 30, 2014 (dollars in thousands):

Description of Assets	Lease Inception Date	Prepayment Received at Inception	Amount Invested to Satisfy Sublease Obligation	Initial Cash Benefit	Balance at September 30, 2014
Maintenance facilities	September 23, 1998	\$ 64,451	\$ 57,713	\$ 6,738	\$ 44,682
Qualified technical equipment	August 14, 2002	135,760.00	129,623.00	6,137.00	81,521.00
					<u>\$ 126,203</u>

A summary of changes in MDT's sublease obligations for the year ended September 30, 2014 is presented below (dollars in thousands):

Balance at September 30, 2013	Additions	Reductions	Balance at September 30, 2014	Due within One Year
\$ 134,997	\$ -	\$ (8,794)	\$ 126,203	\$ 52,449

The underlying agreements contain certain guarantor rating requirements. The guarantor ratings fell below the minimum standard in 2008. The Sublessor requested the County to have the guarantor post collateral equal to 104% of the difference between the market value of the securities and the accreted value of the investment and then to replace the guarantor with a AAA/Aaa guarantor. The guarantor posted collateral and has continued to post collateral equal to posting requirement. The replacement of the guarantor was not possible as there are no guarantors with a rating of AAA/Aaa. In January 2009, the Sublessor provided the County with notice that they were extending the cure period for two months. Since that time the Sublessor has been extending the cure period every two months for another two month period and waives any default that may have occurred solely as a result of the County's failure to comply with this requirement. The current cure period will expire April 30, 2015. Management has evaluated the potential losses in the event of a demand of the sublease termination values by the Sublessors and has determined that any resulting losses would not be material to the financial statements of MDT.

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MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 5 - CAPITAL LEASE LEASEBACK OBLIGATIONS (Continued)

The following schedule presents MDT's future minimum sublease payments (assuming no defaults) as of September 30, 2014 (dollars in thousands):

Year Ending September 30,	Minimum Sublease Payments
2015	\$ 17,107
2016	16,076
2017	16,076
2018	86,623
2019	16,607
Total future minimum sublease payments	<u>152,489</u>
Less amount representing interest	<u>(26,286)</u>
Present value of future minimum sublease payments	<u><u>\$ 126,203</u></u>

NOTE 6 - LONG-TERM DEBT

Long-term debt includes loans and bonds payable, which have been issued or approved by the County for the acquisition of transit buses and construction of facilities. Changes in long-term debt during the year ended September 30, 2014 were as follows (dollars in thousands):

	Balance at September 30, 2013	Additions	Reductions	Balance at September 30, 2014	Due within One Year
Loans payable	\$ 6,957	\$ -	\$ (2,209)	\$ 4,748	\$ 2,317
Bonds payable	1,107,300	-	(13,001)	1,094,299	19,420
Plus: Unamortized premium	62,997	-	(1,541)	61,456	-
Less: Unamortized discount	(168)	-	8	(160)	-
Total bonds payable	<u>1,170,129</u>	-	<u>(14,534)</u>	<u>1,155,595</u>	<u>19,420</u>
Total long-term debt	<u><u>\$ 1,177,086</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (16,743)</u></u>	<u><u>\$ 1,160,343</u></u>	<u><u>\$ 21,737</u></u>

Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2012 - On August 1, 2012, the County issued \$537,210,000 of Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2012 (the Series 2012 Bonds), of which approximately \$465 million was allocated to MDT. The Series 2012 Bonds were issued for the purpose of (1) refunding and redeeming the Miami-Dade County, Florida Transit System Bond Anticipation Notes, Series 2011; (2) paying a portion of the cost of certain transportation and transit projects; (3) funding a reserve account; (4) paying the cost of issuance of the Series 2012 Bonds; and (5) paying capitalized interest on the Series 2012 Bonds through July 1, 2014.

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MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

Miami-Dade County, Florida Capital Asset Acquisition Taxable Special Obligation Bonds, Series 2010D - On December 15, 2010, the County issued \$40,280,000 of Miami-Dade County, Florida Capital Asset Acquisition Taxable Special Obligation Bonds, Series 2010D (the Series 2010D Bonds), of which approximately \$19 million was allocated to MDT. The Series 2010D Bonds were issued for the purpose of (1) paying the costs of acquisition, construction, improvement and/or renovation of a portion of certain capital assets of the County; (2) funding a reserve account; and (3) paying a portion of the cost of issuance, including paying the premium for a municipal bond insurance policy.

Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2010 - On August 25, 2010, the County issued \$29,670,000 Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2010A (the Series 2010A Bonds) and \$187,590,000 of Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2010B (Federally Taxable - Build America Bonds - Direct Payment) (the Series 2010B Bonds, or together with the Series 2010A Bonds, the Series 2010 Bonds), of which approximately \$162.9 million was allocated to MDT. The Series 2010 Bonds were issued for the purpose of (1) paying a portion of the cost of certain transportation and transit projects; (2) funding a reserve account; (3) paying the cost of issuance of the Series 2010 Bonds; and (4) paying capitalized interest on the Series 2010 Bonds through July 1, 2012.

Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2009 - On September 17, 2009, the County issued \$69,765,000 of Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2009A (the Series 2009A Bonds) and \$251,975,000 of Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2009B (Federally Taxable - Build America Bonds - Direct Payment) (the Series 2009B Bonds, or together with the Series 2009A Bonds, the Series 2009 Bonds), of which approximately \$193 million was allocated to MDT. The Series 2009 Bonds were issued for the purpose of (1) paying a portion of the cost of certain transportation and transit projects; (2) funding a reserve account; (3) paying the cost of issuance of the Series 2009 Bonds, including the premium for a financial guaranty insurance policy securing certain bonds; and (4) paying capitalized interest on the Series 2009 Bonds.

Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2008 - On June 24, 2009, the County issued \$274,565,000 of Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2008 (the Series 2008 Bonds). The Series 2008 Bonds were issued for the purpose of (1) paying all or a portion of the cost of certain transportation and transit projects; (2) current refunding certain loans then outstanding; and (3) paying the cost of issuance of the Series 2008 Bonds, including the payment of the premiums for a bond insurance policy and a municipal bond debt service reserve insurance policy.

Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2006 - On April 27, 2006, the County issued \$186,435,000 of Miami-Dade County, Florida Transit System Sales Surtax Revenue Bonds, Series 2006 (the Series 2006 Bonds). The Series 2006 Bonds were issued for the purpose of (1) paying all or a portion of the cost of certain transportation and transit projects; (2) funding a reserve account; and (3) paying the cost of issuance of the Series 2006 Bonds, including the payment of the premium for a municipal bond insurance policy.

Penske/GE Equipment Loan - On August 26, 2004, MDT entered into an agreement with Penske Truck Leasing for the purchase of buses in the amount of \$22.7 million.

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

The following table summarizes MDT's debt outstanding as of September 30, 2014 (dollars in thousands):

Description	Rate	Amount Allocated to MDT	Maturity Date	Principal Outstanding
Transit System Sales Surtax Revenue Bonds, Series 2006	4.0 - 5.0%	\$ 134,233	7/1/2036	\$ 114,746
Plus unamortized premium				4,335
Less current portion				(3,013)
Long-term portion				<u>116,068</u>
Transit System Sales Surtax Revenue Bonds, Series 2008	5%	\$ 224,131	7/1/2038	203,360
Plus unamortized premium				2,845
Less current portion				(4,135)
Long-term portion				<u>202,070</u>
Transit System Sales Surtax Revenue Bonds, Series 2009	4.0 - 6.9%	\$ 193,044	7/1/2039	182,359
Plus unamortized premium				5,004
Less current portion				(3,850)
Long-term portion				<u>183,513</u>
Transit System Sales Surtax Revenue Bonds, Series 2010	3.0 - 5.6%	\$ 162,945	7/1/2040	158,033
Plus unamortized premium				3,373
Less current portion				(2,591)
Long-term portion				<u>158,815</u>
Capital Asset Acquisition Bonds, Series 2010D	7.5%	\$ 19,003	4/1/2040	19,003
Less unamortized discount				(161)
Long-term portion				<u>18,842</u>
Transit System Sales Surtax Revenue Bonds, Series 2012	3.1-5.0%	\$ 416,798	7/1/2042	416,798
Plus unamortized premium				45,900
Less current portion				(5,831)
Long-term portion				<u>456,867</u>
Penske/GE Equipment Loan	4.8%	\$ 22,707	9/1/2016	4,748
Less current portion				(2,317)
Long-term portion				<u>2,431</u>
Total long-term portion of bonds and loans outstanding at September 30, 2014				<u><u>\$ 1,138,606</u></u>

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

Debt Service Requirements - MDT's debt service requirements to maturity for loans and bonds outstanding at September 30, 2014 were as follows (dollars in thousands):

Transit System Sales Surtax Revenue Bonds, Series 2006 \$134 million

Maturing in Fiscal Year	Principal	Interest	Total
2015	\$ 3,013	\$ 5,657	\$ 8,670
2016	3,164	5,506	8,670
2017	3,323	5,348	8,671
2018	3,456	5,215	8,671
2019	3,629	5,042	8,671
2020-2024	21,052	22,301	43,353
2025-2029	26,813	16,539	43,352
2030-2034	34,136	9,223	43,359
2035-2036	16,160	1,181	17,341
Total debt service	<u>\$ 114,746</u>	<u>\$ 76,012</u>	<u>\$ 190,758</u>

Transit System Sales Surtax Revenue Bonds, Series 2008 \$224 million

Maturing in Fiscal Year	Principal	Interest	Total
2015	\$ 4,135	\$ 10,110	\$ 14,245
2016	4,339	9,903	14,242
2017	4,559	9,686	14,245
2018	4,784	9,458	14,242
2019	5,025	9,219	14,244
2020-2024	29,150	42,065	71,215
2025-2029	37,145	34,069	71,214
2030-2034	47,133	24,072	71,205
2035-2038	67,090	9,548	76,638
Total debt service	<u>\$ 203,360</u>	<u>\$ 158,130</u>	<u>\$ 361,490</u>

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

Transit System Sales Surtax Revenue Bonds, Series 2009 \$193 million

Maturing in Fiscal Year	Principal	Interest	Total
2015	\$ 3,850	\$ 11,812	\$ 15,662
2016	4,045	11,620	15,665
2017	4,245	11,418	15,663
2018	4,415	11,248	15,663
2019	4,635	11,027	15,662
2020-2024	26,630	51,303	77,933
2025-2029	32,965	41,915	74,880
2030-2034	40,925	29,683	70,608
2035-2039	60,649	14,216	74,865
Total debt service	<u>\$ 182,359</u>	<u>\$ 194,242</u>	<u>\$ 376,601</u>

Transit System Sales Surtax Revenue Bonds, Series 2010 \$163 million

Maturing in Fiscal Year	Principal	Interest	Total
2015	\$ 2,591	\$ 8,490	\$ 11,081
2016	2,723	8,360	11,083
2017	2,831	8,251	11,082
2018	2,917	8,166	11,083
2019	3,064	8,021	11,085
2020-2024	17,078	37,999	55,077
2025-2029	20,129	33,362	53,491
2030-2034	24,019	27,373	51,392
2035-2039	38,753	20,135	58,888
2040	43,928	2,470	46,398
Total debt service	<u>\$ 158,033</u>	<u>\$ 162,627</u>	<u>\$ 320,660</u>

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

Capital Asset Acquisition Bonds, Series 2010D \$19 million

Maturing in Fiscal Year	Principal	Interest	Total
2015	\$ -	\$ 1,425	\$ 1,425
2016	-	1,425	1,425
2017	-	1,425	1,425
2018	-	1,425	1,425
2019	-	1,425	1,425
2020-2024	-	7,127	7,127
2025-2029	540	7,126	7,666
2030-2034	6,506	6,257	12,763
2035-2039	9,759	3,079	12,838
2040	2,198	165	2,363
Total debt service	\$ 19,003	\$ 30,879	\$ 49,882

Transit System Sales Surtax Revenue Bonds, Series 2012 \$417 million

Maturing in Fiscal Year	Principal	Interest	Total
2015	\$ 5,831	\$ 19,947	\$ 25,778
2016	6,024	19,751	25,775
2017	6,284	19,489	25,773
2018	6,575	19,199	25,774
2019	6,878	18,898	25,776
2020-2024	39,781	89,099	128,880
2025-2029	50,237	78,633	128,870
2030-2034	62,146	66,732	128,878
2035-2039	79,094	49,782	128,876
2040-2042	153,948	17,587	171,535
Total debt service	\$ 416,798	\$ 399,117	\$ 815,915

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 7 - OTHER LONG-TERM LIABILITIES

Other long-term liability activity for the year ended September 30, 2014 was as follows (dollars in thousands):

	Balance at September 30,			Balance at September 30, Due within	
	2013	Additions	Reductions	2014	One Year
Compensated absences	\$ 36,122	\$ 286	\$ (1,349)	\$ 35,059	\$ 11,305
OPEB obligation	6,507	3,115	(2,798)	6,824	-
Other	1,000	-	-	1,000	-
Total other long-term liabilities	\$ 43,629	\$ 3,401	\$ (4,147)	\$ 42,883	\$ 11,305

NOTE 8 - RISK MANAGEMENT

The County's Risk Management Division (RMD) of the Internal Services Department administers the workers' compensation self-insurance program in accordance with FS 440, general and automobile liability self-insurance programs in accordance with FS 768.28 and the County's master property insurance program. FS 768.28 limits claims to \$200,000 per person and \$300,000 per occurrence without a specific act of the Florida Legislature in the form of a claims bill. MDT may be subject to claims that do not fall within the parameters of FS 768.28.

MDT, along with other County departments, contributes an annual insurance allocation for workers' compensation. The annual allocation charged to MDT represents the maximum liability for any losses incurred for the year ended September 30, 2014 for workers' compensation. The RMD also administers the general liability and automobile liability self-insurance programs for MDT operations including Metrobus, Metrorail, and Metromover systems. MDT pays the value of the claim in accordance with FS 768.28.

Property insurance coverage is provided for real and personal property of MDT under the County's master property insurance program. Property insurance coverage is purchased through commercial carriers. The limit of coverage under the program is \$335 million (inclusive of deductibles). This program contains an all other perils (AOP) deductible of \$5 million per occurrence and a named windstorm deductible of \$200 million per occurrence countywide.

The estimated liability for reported and unreported claims of the self-insurance programs administered by the RMD is determined annually based on an actuarial cost of settling claims, past experience adjusted for current trends, and other factors that would modify past experience. Outstanding claims are evaluated through a combination of case-by-case reviews and the application of historical experience. The estimate of incurred, but not reported, losses is based on historical experience and is performed by an independent actuary. For the year ended September 30, 2014, the total premiums charged by RMD to MDT were approximately \$7.2 million. This is included in the amount due to other County funds in the accompanying statement of net position. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 9 - GOVERNMENTAL SUBSIDIES AND CONTRIBUTIONS

Section 9 of the Surface Transportation Assistance Act of 1982 (Section 9) created a program to assist urban mass transportation systems in meeting their operating expenses as well as the cost of maintaining and improving their mass transportation service. The Section 9 program provides that the federal government, through the Federal Transportation Administration (FTA), will provide transit agencies with operating assistance through federal operating subsidies. MDT also receives operating assistance from the State of Florida Department of Transportation (FDOT) and the County.

Subsidies for capital and operating assistance for the year ended September 30, 2014, were as follows (dollars in thousands):

Federal	
FTA assistance	\$ 65,166
State	
FDOT assistance	39,092
Local	
Option gas tax	18,256
Total governmental subsidies	<u>122,514</u>
Total transfers from the County	167,869
Total contributions and transfers from CITT	<u>150,702</u>
Total governmental subsidies and contributions	<u><u>\$ 441,085</u></u>

The continued funding of such subsidies is controlled by: federal, state and local laws, provisions of various grant contracts, regulatory approvals and subject to the availability of grant funds.

Management of MDT and the County anticipate that subsidies for operating assistance will continue to be provided during the forthcoming fiscal year. The FTA operating and maintenance assistance will be provided from the Section 5307 Urbanized Area Formula funds of the Department of Transportation and Related Agencies Appropriations Act of 1998 as well as the Surface Transportation Extension Act of 1997. The FDOT operating assistance will be provided from the Block Grant Program.

NOTE 10 - PURCHASED TRANSPORTATION SERVICES

MDT has contracts with private carriers for various transit services. The contract with Transportation America, a local taxi company, provides ambulatory and non-ambulatory demand response service for elderly and handicapped persons. In addition, MDT has other contracts with local and national bus carriers to provide fixed route bus services. The total gross expense under these contracts amounted to approximately \$48.4 million for the year ended September 30, 2014.

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 11 - PENSION PLANS AND DEFERRED COMPENSATION PLAN

Florida Retirement System: The County participates in the Florida Retirement System (FRS) Pension Plan (the Pension Plan) and Investment Plan (the Investment Plan, or together with the Pension Plan, the FRS Plans). The FRS Plans are cost-sharing, multiple-employer, public employee retirement plans, which cover substantially all of the County's full-time and part-time employees. FRS was created in 1970 by consolidating several employee retirement systems. All eligible employees that were hired after 1970 and those employed prior to 1970 that elect to be enrolled, are covered by the Plans. Benefit provisions and contribution and all other requirements are established by Florida Statutes, which may be amended by the Florida Legislature.

The Pension Plan is a defined benefit plan. Benefits are determined by a formula based on earnings, length of service, and membership class, and increase by a 3% cost-of-living adjustment annually for FRS service earned prior to July 1, 2011. Participants become vested upon completion of six years of service for those who enrolled in FRS prior to July 1, 2011, or eight years of service for those who enrolled in FRS on or after that date; however, benefits are subject to early retirement reductions for participants who elect to receive benefits before attaining normal retirement, which varies by employee class. Benefits are paid in accordance with one of four payment options elected by the participant.

Pension Plan participants are also eligible to participate in the Deferred Retirement Option Program (DROP), which allows participants to retire without terminating employment for up to five years while their retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5% for participants who elected DROP participation prior to July 1, 2011, or 1.3% for participants who elected DROP participation on or after that date.

The Investment Plan is a defined contribution plan. The benefit to which a participant is entitled is the amount of his or her vested account balance at retirement, which consists of the cumulative amount of vested contributions made to his or her account, adjusted for earnings thereon and expenses. Participants are immediately vested in their own contributions and become vested in employer contributions upon completing one year of service. Benefits are paid as a lump sum, in periodic withdrawals on demand or by a predetermined payout schedule, as elected by the participant.

The payroll for MDT employees covered by FRS for the year ended September 30, 2014 was approximately \$195.4 million.

The FRS funding policy and required contribution rates are established by Florida Statutes. The policy provides for monthly employer contributions ranging from 6.95% to 19.6% of gross salary. In addition, effective July 1, 2011, the policy provides for employee contributions of 3% of gross salary. MDT's actual contributions for the years ended September 30, 2014, 2013 and 2012 were approximately \$15.9 million, \$12.3 million and \$10.3 million, respectively. MDT contributed 100% of the required employer contributions in each of those years. Actual contributions made to the Investment Plan by employees were approximately \$5.4 million for the year ended September 30, 2014.

A copy of the FRS' latest annual report can be obtained by contacting the Division of Retirement, Research and Education Section toll-free (877) 738-2366, or by visiting their website at:

http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 11 - PENSION PLANS AND DEFERRED COMPENSATION PLAN (Continued)

Deferred Compensation Plan: The County offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In accordance with the provisions of Section 457, the assets and income of the deferred compensation plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The County has given fiduciary responsibility to an external third party, and as such, the assets and income of the deferred compensation plan are not reported in the County's Comprehensive Annual Financial Report or the accompanying financial statements.

NOTE 12 - RELATED-PARTY TRANSACTIONS

Various departments within the County provide goods, administrative services, public safety, maintenance and other services to different operating departments. Charges for these services are determined using direct and indirect cost allocation methods or amounts determined based upon direct negotiations between the parties involved. Charges for services provided to MDT by other County departments, which are included in services expense in the accompanying statement of revenues, expenses, and changes in fund net position, amounted to approximately \$11 million for the year ended September 30, 2014.

The following schedule shows the breakdown of County charges to MDT for the year ended September 30, 2014 (dollars in thousands):

<u>Department Name</u>	
Internal Services Department	\$ 2,344
Information Technology Department	6,736
Other departments	<u>1,797</u>
Total charges for County services	<u>\$ 10,877</u>

The County has committed to provide funding to MDT to meet its operating obligations. As of September 30, 2014, the due to other County funds balance of \$166 million consists of MDT's negative position in the County's unrestricted pooled cash, cash equivalents, and investments of \$158.9 million and insurance premiums payable to the Risk Management Division of \$7.2 million.

As a component of the County, the Citizens' Independent Transportation Trust (CITT) is the 15-member independent body created to oversee the PTP funded with the Surtax. The Miami-Dade County Board of County Commissioners approved General Fund support to MDT at the pre-Surtax level of \$123.7 million, with an annual increase of 3.5%. Additionally, the CITT approved a loan for up to \$150 million in Surtax funds to support MDT on November 5, 2005. The loan has a stated rate of 3% and matures in fiscal year 2017.

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 12 - RELATED-PARTY TRANSACTIONS (Continued)

As of September 30, 2014, the outstanding balance of the loan payable to CITT was approximately \$79.3 million. Changes in the loan balance during the year then ended were as follows (dollars in thousands):

Balance at September 30, 2013	Additions	Reductions	Balance at September 30, 2014	Due within One Year
\$ 97,107	\$ -	\$ (17,755)	\$ 79,352	\$ 21,219

MDT's debt service requirements to maturity for the loan payable to CITT are as follows (dollars in thousands):

Maturing in Fiscal Year	Principal	Interest	Total
2015	\$ 21,219	\$ 2,381	\$ 23,600
2016	24,934	1,744	26,678
2017	33,199	996	34,195
Total debt service	\$ 79,352	\$ 5,121	\$ 84,473

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Federal Awards and State Grants: Federal grant awards are subject to audit in accordance with OMB Circular A-133 to determine compliance with the terms and conditions of the grant awards. State of Florida grant awards are subject to audit by the respective Florida grantor agencies. It is management's opinion that no material liabilities will result from any such audits.

Litigation: MDT, as a department of the County, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The County, after reviewing the current status of all pending and threatened litigation with respect to the operations of MDT, believes that while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the County or its officials in such capacity, are adequately covered by the County's self-insurance programs or will not have a material adverse effect on the financial statements.

Contracts and Commitments: Contracts and commitments relating to bus maintenance and construction projects approximated \$16.6 million as of September 30, 2014. Funding will be provided by federal, state and local sources.

(Continued)

MIAMI-DADE TRANSIT
(AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

The beginning balance of net position was adjusted to reflect the implementation of GASB Statement No. 65. GASB Statement No. 65 requires debt issuance costs to be recognized as an expense in the period in which those costs were incurred. The retroactive adjustment to MDT's net position is detailed below.

Net Position at October 1, 2013	\$ 702,709
Adjustment to reflect debt issuance cost now recognized as an expense in the period incurred	(12,287)
Net Position at October 1, 2013 - restated	<u>\$ 690,422</u>

*Amounts are reported in thousands

NOTE 15 - SUBSEQUENT EVENT

On January 5, 2015, the County exercised the early buyout option to terminate the lease, MD2002-4 FL for the Metro Rail Fare Boxes, before the termination date. The GICs were terminated and pursuant to the lease \$53,475 was paid to Dexia Credit Local, New York Branch, and \$1,199,684 was deposited with the trustee to be paid to Bank of America in five installments ending December 15, 2015. The Loans were paid in full. The lease hold interest in the asset was returned to the County. Once the trustee makes the final payment to the Bank of America, the trusts will be close.

REQUIRED SUPPLEMENTARY INFORMATION

MIAMI-DADE TRANSIT
 (AN ENTERPRISE FUND OF MIAMI-DADE COUNTY, FLORIDA)
 SCHEDULE OF FUNDING PROGRESS -
 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION
 September 30, 2014
 (Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability at Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ([b-a]/c)
October 1, 2013	\$ -	\$ 330,042	\$ 330,042	0%	\$ 1,430,604	23.1%
October 1, 2012	\$ -	\$ 362,669	\$ 362,669	0%	\$ 1,651,799	22.0%
October 1, 2011	\$ -	\$ 357,006	\$ 357,006	0%	\$ 1,661,941	21.5%

OTHER REPORTS

**I INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Board of County Commissioners
Miami-Dade County, Florida
Miami, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Miami-Dade Transit ("MDT"), an enterprise fund of Miami-Dade County, Florida (the "County"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2015. As discussed in Note 1, the financial statements present only MDT and do not purport to, and do not, present fairly the financial position of the County, the changes in its financial position, or, where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MDT's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDT's internal control. Accordingly, we do not express an opinion on the effectiveness of MDT's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Fort Lauderdale, Florida
March 16, 2015

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES**

To the Honorable Mayor and
Board of County Commissioners
Miami-Dade County, Florida
Miami, Florida

We have examined the Miami Dade Transit's (the "MDT") compliance with Section 218.415, *Florida Statutes*, concerning the investment of public funds during the year ended September 30, 2014. Management is responsible for the MDT's compliance with those requirements. Our responsibility is to express an opinion on the MDT's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the MDT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the MDT's compliance with specified requirements.

In our opinion, MDT complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.


Crowe Horwath LLP

Fort Lauderdale, Florida
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