



Financial Section





KPMG LLP
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Independent Auditors' Report

The Honorable Mayor, and Chairperson, and
Members of the Board of County Commissioners
Miami-Dade County, Florida

We have audited the accompanying financial statements of the Miami-Dade County Seaport Department (the Seaport), an enterprise fund of Miami-Dade County, Florida, as of and for the years ended September 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Seaport's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Seaport's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Seaport and do not purport to, and do not, present fairly the financial position of Miami-Dade County, Florida, as of September 30, 2006 and 2005, and the changes in its financial position and, where applicable, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Miami-Dade County Seaport Department, an enterprise fund of Miami-Dade County, Florida, as of September 30, 2006 and 2005, and the changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2007 on our consideration of the Seaport'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 18 through 24 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of

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management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Miami-Dade County Seaport Department. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

March 23, 2007
Certified Public Accountants

Management's Discussion and Analysis (MD&A) (unaudited)

The following narrative provides an overview of the Miami-Dade County Seaport Department's (the "Seaport") financial activities for the fiscal years ended September 30, 2006 and 2005. The MD&A represents management's analysis of the Seaport's financial condition, performance, long-term debt, and economic factors. The MD&A should be read in conjunction with the financial information of the transmittal letter in the introductory section, the financial statements, the accompanying notes and the statistical section. The financial statements consist of the statements of net assets; the statements of revenues, expenses, and changes in fund net assets; the statements of cash flows; and the notes.

The statement of net assets presents the financial position of the Seaport as of a specific date. It provides information about the nature and amount of resources (assets) and obligations (liabilities), with net assets being the difference between assets and liabilities. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Seaport is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net assets presents information showing how the Seaport's net assets changed during the fiscal year. All changes in fund net assets are reported as soon as the underlying event giving rise to the change occurs which might coincide with the timing of the related cash flows.

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

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

Financial Analysis of the Seaport Department

Governmental Accounting Standards require that the Seaport prepare an analysis of the Seaport's overall financial position and results of its operations to assist readers in assessing whether the Seaport's financial position has improved or deteriorated when compared to the prior year. All amounts are expressed in millions, unless indicated otherwise.

The difference between the Seaport's assets and liabilities is its net assets. The Seaport's net assets are summarized, in **Table I** below. Net assets may be used to assess the financial position of the Seaport. Total Seaport net assets as of September 30, 2006 were \$210.5 million. Of this amount, approximately \$183.1 million or 87% was invested in capital net of related debt; approximately \$23.9 million or 11.4% was restricted for debt service and the balance of \$3.5 million or 1.6% was unrestricted. Total Seaport net assets at September 30, 2005 were \$197.5 million. Of this amount, approximately \$163.7 million or 83% was invested in capital assets, net of related debt, approximately \$29.7 million or 15% was restricted and the balance of \$4.1 million or 2% was unrestricted and available to meet ongoing operations of the Seaport.

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TABLE I

SUMMARY STATEMENT OF NET ASSETS

As of September 30, (in millions)

	2006	Change from FY 2005		2005	Change from FY 2004		2004
Capital assets, net	\$ 700.5	\$ 29.6	4.4%	\$ 670.9	\$ 81.3	13.8%	\$ 589.6
Current and other assets	107.8	(23.3)	17.7%	131.1	(3.2)	(2.4)%	134.3
Total assets	808.3	6.3	0.7%	802.0	78.1	10.8%	723.9
Long-term liabilities outstanding	552.0	(9.5)	(1.7)%	561.5	60.1	12.0%	501.4
Other liabilities	45.8	2.8	6.5%	43.0	8.6	25.0%	34.4
Total liabilities	597.8	(6.7)	1.1%	604.5	68.7	12.8%	535.8
Net assets:							
Invested in capital assets, net of related debt	183.1	19.4	11.9%	163.7	10.5	6.9%	153.2
Restricted	23.9	(5.8)	(19.5)%	29.7	6.6	28.6%	23.1
Unrestricted	3.5	(0.6)	(14.6)%	4.1	(7.7)	(65.3)%	11.8
Total net assets	\$ 210.5	\$ 13.0	6.6%	\$ 197.5	\$ 9.4	5.0%	\$ 188.1

The increase in investment in capital assets net of related debt, from fiscal year 2005 to 2006 is attributed to the commitment to the Seaport's Master Development Plan, which includes enhancing the port's infrastructure, buildings and making the Port of Miami a world class port coupled with a reduction in the Seaport's debt. Since the calculation of the net assets category includes reducing total capital asset investment, less depreciation and related debt to acquire or construct the related asset, a reduction in debt contributes towards the increase. The increase of \$10.5 million or 6.9% from fiscal year 2004 to 2005 is attributed to Seaport's Master Development Plan, consistent with the increase in fiscal year 2006, it is attributed to projects in the Seaport's Master Development Plan.

The reduction in restricted for debt service, from fiscal year 2005 to 2006, of \$5.8 million or 19.5% is attributed to a reduction of outstanding debt in accordance with the required debt repayment schedule and corresponding requirements. The increase in fiscal year 2005, from fiscal year is attributed to the issuance of the 2005 Sunshine State Loan.

The decrease in unrestricted net assets of \$.6 million or 14.6% from fiscal year 2005 to 2006 is attributed to an increase in operating expenses—including depreciation and interest expenses, partially offset by an increase in operating revenues. The decrease in unrestricted net assets of \$7.7 million or 65.3% from fiscal year 2004 to 2005 is attributed to an increase in operating expenses and interest expense, partially offset by an increase in operating revenues. More detailed information, regarding the change in net assets between fiscal year 2005 and 2006 and 2004 and 2005 in the following pages.

Table II summarizes the change in the Seaport's net assets. Total net assets, as of September 30, 2006, of \$210.5 million represent an increase of approximately \$13 million or 6.6% from prior year. The increase, from prior year is attributed to an increase in investment in capital asset categories of approximately \$19.4 million or 11.9%, from prior year. This increase was partially offset by a decrease in restricted for debt service and unrestricted of \$5.8 million or 19.5% and \$0.6 million or 14.6%, respectively. This change can be compared to an increase of \$9.4 or 5.0% in total net assets from fiscal year 2004 to 2005. The increase from fiscal year 2004 to 2005 consists of an increase in invested in capital assets, net of related debt and restricted of \$10.5 million or 6.9% and \$6.6 million or 28.6%, respectively. This was partially offset by a decrease in unrestricted of approximately \$7.7 million or 65.3%. Additional information on the changes is discussed in the following pages.

TABLE II**CHANGE IN NET ASSETS**

For The Fiscal Year Ended September 30, (in millions)

	FY 2006	Change from FY 2005		FY 2005	Change from FY 2004		FY 2004
Operating revenues							
Cruise wharfage	\$ 21.5	\$ 1.2	5.9%	\$ 20.3	\$ 1.6	8.6%	\$ 18.7
Cargo wharfage	17.0	(0.2)	(1.2)%	17.2	—	0.0%	17.2
Cruise dockage	10.6	0.7	7.1%	9.9	0.5	5.3%	9.4
Cargo dockage	5.3	(0.3)	(5.4)%	5.6	1.7	43.6%	3.9
Container crane user fees	10.3	(0.8)	(7.2)%	11.1	1.0	9.9%	10.1
Rentals	6.9	0.3	4.5%	6.6	0.1	1.5%	6.5
Ground transportation	0.8	0.2	33.3%	0.6	0.2	50.0%	0.4
Water and electric services	4.9	0.2	4.3%	4.7	—	0.0%	4.7
Parking	6.1	0.8	15.1%	5.3	—	0.0%	5.3
Miscellaneous charges and fees	4.5	0.8	21.6%	3.7	0.6	19.4%	3.1
Sub-total Operating revenue	87.9	2.9	3.4%	85.0	5.7	7.2%	79.3
Investment earnings	3.8	1.5	65.2%	2.3	(0.1)	(4.2)%	2.4
Other nonoperating	21.3	21.3	100.0%		(1.6)	100.0%	1.6
Total revenues	113.0	28.6	32.8%	87.3	9.7	11.6%	83.3
Operating expenses	67.1	9.3	16.1%	57.8	4.1	7.6%	53.7
Depreciation	16.1	1.2	8.1%	14.9	(0.3)	(2.0)%	15.2
Interest expense	23.9	4.8	25.1%	19.1	0.6	3.2%	18.5
Other nonoperating expenses	0.2	(1.2)	(85.7)%	1.4	(0.2)	(12.5)%	1.6
Total Expenses	107.3	14.1	15.1%	93.2	4.2	4.7%	89.0
Net income (loss) before capital contributions	5.7	11.6	(196.6)%	(5.9)	(0.2)	3.5%	(5.7)
Capital Contributions	7.3	(8.0)	(52.3)%	15.3	(15.1)	(49.7)%	30.4
Change in net assets	13.0	3.6	38.3%	9.4	(15.3)	(61.9)%	24.7
Net assets at beginning of year	197.5	9.4	5.0%	188.1	24.7	15.1%	163.4
Net assets at end of year	\$ 210.5	\$ 13.0	6.6%	\$ 197.5	\$ 9.4	5.0%	\$ 188.1

Operating revenues for fiscal year 2006 were \$87.9 million. This represents an increase of approximately \$2.9 million or 3.4% from prior year. The increase is attributed to an increase in cruise wharfage and dockage of approximately \$1.2 million or 5.7% and \$0.7 million or 7.1%, respectively. Additionally there was a slight increase in parking and miscellaneous charges and fees. The increase in cruise wharfage, cruise dockage and parking is attributed to a growth in passenger traffic of approximately 3.5%, over last year, coupled with an increase to the corresponding rates. These increases were partially offset by a decrease in cargo wharfage and cargo dockage, from fiscal year 2005 of approximately \$2 million and \$3 million respectively. These decreases are attributed to a decline in cargo activity from prior year. For the year period ended September 30, 2006, total tonnage and twenty feet equivalent ("TEU's") decreased approximately 8.6% and 7.4%, respectively, from last year. The decline in cargo activity is attributed to industry consolidation, coupled with loss of activity to other regional ports. The increase in non-operating revenue from fiscal year 2005 can be attributed to the dredging settlement. On January 24, 2006 the County and bond company reached a settlement whereby the bond company waived all rights to counterclaims and agreed to pay a total of \$22.5 million to the Seaport Department. On February 24, 2006, the Seaport received \$21.3 million with additional payments totaling \$1.2 million to be made in subsequent fiscal years. The remaining balance will be paid equally (\$625,000) in fiscal year 2007 and 2008. **Table III** summarizes the Seaport's operating revenues.

TABLE III**SUMMARY OF OPERATING REVENUES***For the Period Ended September 30 (in millions)*

	<u>2006</u>	Change from FY 2005		<u>2005</u>	Change from FY 2004		<u>2004</u>
Operating revenues:							
Cruise wharfage	\$ 21.5	\$ 1.2	5.9%	\$ 20.3	\$ 1.6	8.6%	\$ 18.7
Cargo wharfage	17.0	(0.2)	(1.2)%	17.2		0.0%	17.2
Cruise dockage	10.6	0.7	7.1%	9.9	0.4	4.2%	9.5
Cargo dockage	5.3	(0.3)	(5.4)%	5.6	1.7	43.6%	3.9
Container crane user fees	10.3	(0.8)	(7.2)%	11.1	1.0	9.9%	10.1
Rentals	6.9	0.3	4.5%	6.6	0.1	1.5%	6.5
Ground transportation	0.8	0.2	33.3%	0.6	0.2	50.0%	0.4
Water and electric services	4.9	0.2	4.3%	4.7	(0.1)	(2.1)%	4.8
Parking	6.1	0.8	15.1%	5.3	0.1	1.9%	5.2
Miscellaneous fees and charges	4.5	0.8	21.6%	3.7	0.7	23.3%	3.0
Total revenue	<u>\$ 87.9</u>	<u>\$ 2.9</u>	<u>3.4%</u>	<u>\$ 85.0</u>	<u>\$ 5.7</u>	<u>7.2%</u>	<u>\$ 79.3</u>

Operating revenues for fiscal year 2005 were \$85.0 million. This represents an increase of approximately of \$5.7 million or 7.2% from the 2004 fiscal year. This increase is attributed to an increase in all operating revenue category, except water and electric. The increase in cruise and parking categories is attributed to growth in passengers of 3% from fiscal year 2004 and the increase in the corresponding tariff rates. The increase in cargo related revenues is attributed to the growth in cargo tonnage of 2.6% from fiscal year 2004.

Operating expenses increased in fiscal year 2006, by \$9.3 million or 16.1%, when compared to the 2005 fiscal year. The majority of the increase is attributed to an increase in security, general and administrative, gantry cranes and utilities of \$3.2 million, \$4.1million, \$1.0 million, \$2.1 million, respectively. These increases were partially offset by a decrease in maintenance costs of \$1.7 million. The increase in security and general and administrative is attributed to higher personnel costs as a result of merit increases, COLA's and other payroll adjustments. Additionally, security costs were further increased by heightened security compliance required by the federal w. The increase in utilities is attributed to higher fuel costs and consumption. The decrease in maintenance cost is a result of reevaluation and prioritization of maintenance efforts to offset the increase costs in other areas.

The increase in operating expenses of \$4.1 million or 7.6% from fiscal year 2004 to 2005 is attributed to an increase in security expenses of \$4.3 million. The increase in security expense is attributed to higher personnel costs.

Table IV below summarizes the Seaport's operating expenses.

TABLE IV

SUMMARY OF OPERATING EXPENSES (EXCLUSIVE OF DEPRECIATION)

For the Period Ended September 30 (in millions)

	2006	Change from FY 2005		2005	Change from FY 2004		2004
Operating expenses:							
Cruise operations	\$ 4.2	\$ 0.6	16.7%	\$ 3.6	\$ 0.1	2.9%	\$ 3.5
Cargo operations	1.8	—	0.0%	1.8	0.1	5.9%	1.7
Maintenance	6.0	(1.7)	(22.1)%	7.7	1.5	24.2%	6.2
Utilities	8.2	2.1	34.4%	6.1	(0.1)	(1.6)%	6.2
Marketing and advertising	1.8	—	0.0%	1.8	0.6	50.0%	1.2
Gantry Cranes	10.5	1.0	10.5%	9.5	(0.2)	(2.1)%	9.7
Security	18.4	3.2	21.1%	15.2	4.3	39.4%	10.9
General and administration	16.2	4.1	33.9%	12.1	(2.2)	(15.4)%	14.3
Total operating expenses	\$ 67.1	\$ 9.3	16.1%	\$ 57.8	\$ 4.1	7.6%	\$ 53.7

Capital Assets and Debt Administration

Capital Assets

The Seaport's total investment in capital assets, net of accumulated depreciation, at September 30, 2006, September 30, 2005 and September 30, 2004 was \$700.5 million, \$670.9 million and \$589.6 million. This represents an increase \$29.6 million of 4.4%, from fiscal year 2005 to 2006 and an increase of \$81.3 million or 13.8% from fiscal year 2004 to 2005. The increase between the 2006 and 2005 fiscal year and the 2005 and 2004 fiscal year is attributed to projects in the Seaport's Master Plan and acquisition of other capital assets necessary for the ongoing operations of the Seaport. Additional information in changes in capital assets can be found in Note 4 of the Financial Statements. Table V below summarizes the components of the Seaport's investment in capital assets.

TABLE V

CAPITAL ASSETS

as of September 30, (net of depreciation, in millions)

	2006	Change from FY 2005		2005	Change from FY 2004		2004
Land and related costs	\$ 152.5	\$ 0.2	0.1%	\$ 152.3	\$ 0.3	0.2%	\$ 152.0
Buildings, Transit Sheds and Terminals	220.5	(6.7)	(2.9)%	227.2	5.3	2.4%	221.9
Machinery and equipment	5.0	0.4	8.7%	4.6	(0.6)	(11.5)%	5.2
Improvements other than buildings	159.7	25.7	19.2%	134.0	7.0	5.5%	127.0
Construction in progress	162.8	10.0	6.5%	152.8	69.3	83.0%	83.5
Totals	\$ 700.5	\$ 29.6	4.4%	\$ 670.9	\$ 81.3	13.8%	\$ 589.6

During fiscal year 2006 several construction projects were completed. The significant projects completed and under construction in accordance with the Seaport's Master Development program are as follows:

PROJECTS COMPLETED

- Gantry Berth Electrical Conversion
- Seaman's Center Custom's Station
- Fender replacement and refurbishment
- Other terminal and cargo yard improvements

PROJECTS UNDERWAY

- Construction of new traffic circulation patterns and roadways
- Construction of a new expanded cargo gateway
- Acquisition, construction and implementation of cruise terminal and gateway security enhancements
- Container yard improvements
- Two new cruise terminals
- Additional cruise passenger parking

Debt Administration

At September 30, 2006 and 2005 and 2004, the Seaport had \$558.4 million, \$568.4 million and \$505.3 million, respectively, in bonds and loan agreements outstanding. This represents a decrease of approximately \$10 million, from fiscal year 2005 to 2006. This decrease is attributed to a reduction in principal of approximately \$9.9 million, in accordance with scheduled amortization. Fiscal year 2005 reflects an increase of approximately \$63.1 million from fiscal year 2004. This is attributed primarily to the new debt obligation—the 2005 Sunshine Loan Agreement in the amount of \$75 million, partially offset by a reduction in principal. Additional long-term debt detail can be found in Note 5 to the financial statements.

During fiscal year 2006, the Seaport Department restructured five of its Sunshine State loans (Series 1987, 1995, 1998, 1999 and 2001). Detailed discussion regarding this restructuring can be found in Note 5 (e). The objective of the restructuring was to smooth out the principal payments and begin accelerating the balloon payment on the 1987 loan with annual principal payments through 2016. In order to provide for the repayment of the 1987 loan, the payments on the remaining four loans are being deferred to 2015 and 2016; at which time these loans will begin amortizing until the revised maturity. Each of the loans' final maturity is being extended, resulting in budget relief for the Seaport Department. The payment restructuring will enhance the Seaport's cash flow and will contribute towards better managing the Seaport's debt.

TABLE VI

OUTSTANDING LONG-TERM DEBT

as of September 30, (in millions)

	2006	Change from FY 2005		2005	Change from FY 2004		2004
Seaport general obligation bonds	\$ 142.2	\$ (3.5)	(2.4)%	\$ 145.7	\$ (3.3)	(2.2)%	\$ 149.0
Seaport revenue bonds	67.5	(2.9)	(4.1)%	70.4	(2.6)	(3.6)%	73.0
Sunshine state loans	348.7	(3.6)	(1.0)%	352.3	69.0	24.4%	283.3
Totals	\$ 558.4	\$ (10.0)	(1.8)%	\$ 568.4	\$ 63.1	12.5%	\$ 505.3

In September 2002 Moody's Investors Service assigned an underlying rating of A2 with a stable outlook to Miami-Dade County, Florida's \$85 million outstanding Seaport Revenue Bonds. As stated by Moody's, this rating reflects the Seaport's record of fiscal stability, strong coverage of senior parity debt service by net revenues and the Seaport's competitive position as the world's largest cruise port and major international cargo hub. Moody's has also assigned underlying ratings of Aa3 on the Seaport's outstanding General Obligation Bonds and A1 on the outstanding Sunshine State Loan. All Seaport Bonds are insured and carry an insured rating of Aaa and AAA by Moody's and Standard & Poor's, respectively.

Other Obligations. The Seaport participates in the County's self-insurance program for workers' compensation, general liability and automotive liability insurance. Certain group health insurance programs are also self insured, subject to certain stop loss provisions. Detailed information about the Seaport's liability from reported and unreported claims is included in Note 11. Other obligations include accrued vacation pay and sick leave, accrued health insurance benefits for retirees, arbitrage liability, and other contingent liabilities.

Economic Factors and Next Year's Budget and Rates

One of the key economic drivers of Miami-Dade's economy, international trade and commerce, had a very strong performance during the 2006 fiscal year. A robust national economy, coupled with improving economic conditions in the overall global economy, particularly in Europe, Latin America, and Asia, continued to positively impact the volume of exports. The 2006 fiscal year was a good one for international trade, with increases in both exports and imports. Total trade increased approximately 9.7% from prior year, compared to the 12.3% increase in fiscal year 2005. During the 2006 fiscal year, imports increased by 4.3%, while exports had an overall increase of 15.1% from the prior fiscal year.

At the Seaport, cargo tonnage decreased by 8.6%, from the prior year, compared to an increase of 2.6% in fiscal year 2005. The decrease is attributed to industry consolidation and the loss of cargo activity to other regional ports. Despite this, most trade experts are quite optimistic regarding international commerce in Miami-Dade and predict higher volume levels in freight and cargo tonnage movement through its ports in the years to come. This is based on the expectation that economic growth in Latin America will continue to improve and that trade with Europe, South America, and Asia, particularly China, will increase.

The Asian trade continues to be the fastest growing region for the Seaport. During fiscal year 2006, the Asian trade increased 8.6% from prior year. Latin America and the Caribbean continue to account for more than half the cargo tonnage—approximately 55% handled at the Seaport. Trade with Asian countries represented 27% of total trade, with South America representing approximately 25%. Additional information regarding import and exports through the Port of Miami as well as trading partners can be found in the Statistical Section of this report.

Cruise activity is anticipated to increase incrementally as the Port continues to receive ever larger vessels currently being constructed and on order. The first Genesis class vessel with a passenger berthing capacity of close to 5000 passengers is expected to have its maiden voyage, from the Seaport, during 2007. The Seaport continues to seek diversification of cruise lines activity to offset some of the redeployments of the older vessels as well as commitments from existing customers to add vessels calls in the future. Infrastructure to meet the logistical demands of the ever larger vessels is well underway, with two new 105,000 square foot cruise terminals schedule for completion in fiscal year 2007, as well as a pier extension for the Freedom class vessel.

Annually the Seaport scrutinizes Terminal Tariff No. 010 to ensure the Seaport's ability to meet its budgetary obligations through Tariff revenues. The Adopted Budget for fiscal year 2007 includes fee increases in all Tariff categories. For fiscal year 2008, the Seaport is reevaluating its rate structure to assist the Seaport in capturing its cost and enhance revenue.

Constraints with existing contracts with Seaport business partners are key contributors to the Seaport's inability to effectively raise revenues to offset the increase in operating expenses and interest expense. The Seaport is currently evaluating each of its contracts and is attempting to restructure its cargo rate structure to allow the Seaport to recover its costs.

Request for Information

This financial report is designed to provide customers, creditors and other interest parties with a general overview of the Seaport's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to:

Controller
Miami-Dade Seaport Department
1015 North America Way
Miami, Florida 33132

STATEMENTS OF NET ASSETS

	<i>As of September 30,</i>	
Assets	2006	2005
Current assets:		
Cash and cash equivalents	\$ 4,910,849	\$ 2,950,091
Investments	6,484,032	6,852,071
Accounts receivable, less allowance for doubtful accounts of \$5,363,230 and \$4,600,241 at September 30, 2006 and 2005, respectively	7,415,058	8,239,922
Prepaid expenses and other current assets	4,816,566	3,083,619
Total unrestricted assets	<u>23,626,505</u>	<u>21,125,703</u>
Restricted assets:		
Current restricted assets:		
Cash and cash equivalents	29,553,628	26,576,499
Investments	1,326,637	5,585,758
Settlement receivable	625,000	—
Due from other governments	1,428,037	1,233,332
Total current restricted assets	<u>32,933,302</u>	<u>33,395,589</u>
Total current assets	<u>56,559,807</u>	<u>54,521,292</u>
Noncurrent assets:		
Noncurrent restricted assets:		
Cash and cash equivalents	5,285,295	6,317,892
Investments	37,294,566	55,539,396
Settlement receivable	625,000	—
Construction advances, less allowance of \$0 and \$7,013,244 at September 30, 2006 and 2005, respectively	3,010,329	10,349,138
Total noncurrent restricted assets	<u>46,215,190</u>	<u>72,206,426</u>
Capital assets:		
Land and related costs	152,505,605	152,294,426
Buildings, transit sheds and terminals	351,172,188	347,580,555
Improvements other than buildings	217,718,549	187,077,692
Machinery and equipment	15,136,070	13,901,289
Construction in progress	162,827,206	152,799,601
Total capital assets	<u>899,359,618</u>	<u>853,653,563</u>
Less accumulated depreciation	<u>(198,908,754)</u>	<u>(182,776,665)</u>
Capital assets, net	<u>700,450,864</u>	<u>670,876,898</u>
Deferred charges:		
Deferred bond issuance costs, net	5,123,066	4,415,639
Total noncurrent assets	<u>751,789,120</u>	<u>747,498,963</u>
Total assets	<u>\$ 808,348,927</u>	<u>\$ 802,020,255</u>

(CONTINUED)

The accompanying notes to the financial statements are an integral part of these statements

STATEMENTS OF NET ASSETS (CONTINUED)

As of September 30,

Liabilities and Net Assets	2006	2005
Current liabilities (payable from unrestricted assets):		
Accounts payable and accrued expenses	\$ 3,526,451	\$ 2,791,795
Accrued payroll and related expenses	1,619,213	1,369,866
Accrued interest payable	470,012	567,104
Current portion of loans payable	3,405,000	3,585,000
Current portion of master lease agreement	1,274,588	1,151,487
Unearned revenue	180,776	—
Due to County's general fund	2,354,419	124,000
Total current liabilities (payable from unrestricted assets)	<u>12,830,459</u>	<u>9,589,252</u>
Current liabilities (payable from restricted assets):		
Current portion of revenue and general obligation bonds payable	6,685,000	6,315,000
Accrued interest payable	5,756,522	5,959,461
Accounts payable and accrued expenses	4,618,662	5,178,674
Contracts and retainage payable	13,810,256	11,622,952
Deferred grant receipts	277,484	1,174,467
Arbitrage rebate payable	1,785,378	2,961,655
Due to County's general fund	—	183,380
Total current liabilities (payable from restricted assets)	<u>32,933,302</u>	<u>33,395,589</u>
Total current liabilities	<u>45,763,762</u>	<u>42,984,841</u>
Long-term liabilities:		
Bonds payable, less unamortized discount and loss of \$10,226,732 and \$11,069,228 at September 30, 2006 and 2005, respectively	192,858,269	198,700,773
Loans payable	345,305,000	348,710,000
Master lease agreement	5,793,647	7,068,235
Mitigation – consent order	2,465,008	2,475,950
Other	5,621,188	4,590,721
Total long-term liabilities	<u>552,043,112</u>	<u>561,545,679</u>
Total liabilities	<u>597,806,874</u>	<u>604,530,520</u>
Net Assets		
Invested in capital assets, net of related debt	183,184,790	163,675,765
Restricted for debt service	23,901,038	29,719,649
Unrestricted	3,456,225	4,094,321
Total net assets	<u>\$ 210,542,053</u>	<u>\$ 197,489,735</u>

(CONCLUDED)

The accompanying notes to the financial statements are an integral part of these statements

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS**

Years ended September 30,

	2006	2005
Operating revenues:		
Cruise wharfage	\$ 21,467,672	\$ 20,291,963
Cargo wharfage	17,046,154	17,245,214
Cruise dockage	10,599,309	9,958,346
Cargo dockage	5,308,297	5,614,327
Container crane user fees	10,299,370	11,068,098
Rentals	6,884,304	6,627,715
Ground transportation	783,458	611,029
Water and electric services	4,948,050	4,646,111
Parking	6,122,998	5,252,187
Miscellaneous charges and fees	4,521,677	3,691,056
Total operating revenue	<u>87,981,289</u>	<u>85,006,046</u>
Operating expenses:		
Cruise operations	4,138,050	3,599,678
Cargo operations	1,805,909	1,839,882
Maintenance	5,948,656	7,711,279
Utilities	8,222,263	6,128,323
Marketing and advertising	1,824,385	1,761,472
Gantry cranes	10,532,757	9,535,758
Security	18,407,615	15,151,773
General and administrative	16,197,905	12,098,154
Total operating expenses before depreciation	<u>67,077,540</u>	<u>57,826,319</u>
Operating income before depreciation	20,903,749	27,179,727
Depreciation	<u>16,132,089</u>	<u>14,871,562</u>
Operating income	<u>4,771,660</u>	<u>12,308,165</u>
Nonoperating revenues (expenses):		
Investment earnings	3,814,995	2,349,783
Interest expense, net of capitalized interest	(23,937,749)	(19,113,256)
Transfers to County's general fund	(289,000)	(222,000)
Other, net	21,349,548	(1,252,035)
Total non operating revenue (expenses)	<u>937,794</u>	<u>(18,237,508)</u>
Income (loss) before capital contributions	5,709,454	(5,929,343)
Capital contributions	<u>7,342,864</u>	<u>15,314,742</u>
Change in net assets	<u>13,052,318</u>	<u>9,385,399</u>
Total net assets - Beginning	<u>197,489,735</u>	<u>188,104,336</u>
Total net assets - Ending	<u>\$ 210,542,053</u>	<u>\$ 197,489,735</u>

The accompanying notes to the financial statements are an integral part of these statements

STATEMENTS OF CASH FLOWS

	<i>Years ended September 30,</i>	
	2006	2005
Cash flows from operating activities:		
Cash received from customers and tenants	\$ 87,072,451	\$ 82,812,393
Cash paid to suppliers	(41,426,105)	(35,241,953)
Cash paid to employees for services	(22,825,734)	(21,392,596)
Net cash provided by operating activities	<u>22,820,612</u>	<u>26,177,844</u>
Cash flows from noncapital financing activities:		
Operating grants received	—	163,672
Transfers to County's general fund	(472,380)	(644,398)
Payments for community activities	(818,519)	(1,282,606)
Net cash used by noncapital financing activities	<u>(1,290,899)</u>	<u>(1,763,332)</u>
Cash flows from capital and related financing activities:		
Capital grants received	6,251,177	18,122,648
Loan proceeds	—	74,617,440
Principal payments:		
Bonds	(6,315,000)	(5,940,000)
Notes and loans	(3,585,000)	(6,015,000)
Interest paid	(25,326,272)	(18,903,901)
Purchase of capital assets	(36,586,316)	(91,366,797)
Proceeds from Dredging Settlement	21,250,000	—
Proceeds from the sale of assets	—	720,880
Net cash used by capital and related financing activities	<u>(44,311,411)</u>	<u>(28,764,730)</u>
Cash flows from investing activities:		
Investments purchased	(44,831,785)	(67,200,016)
Proceeds from sale and maturities of investments	67,977,225	49,339,822
Interest and dividends from investments	3,541,548	2,223,822
Net cash provided (used) by investing activities	<u>26,686,988</u>	<u>(15,636,372)</u>
Net increase (decrease) in cash and cash equivalents	3,905,290	(19,986,590)
Cash and cash equivalents (including restricted assets), at beginning of year	<u>35,844,482</u>	<u>55,831,072</u>
Cash and cash equivalents (including restricted assets), at end of year	<u>\$ 39,749,772</u>	<u>\$ 35,844,482</u>

(CONTINUED)

The accompanying notes to the financial statements are an integral part of these statements

STATEMENTS OF CASH FLOWS (CONTINUED)

	<i>Years ended September 30,</i>	
	<u>2006</u>	<u>2005</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,771,660	\$ 12,308,165
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	16,132,089	14,871,562
Provision for uncollectible accounts	762,989	(274,210)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable, net	61,875	(967,846)
(Increase) decrease in prepaid expenses	(1,732,947)	(925,755)
Increase (decrease) in accounts payable and accrued expenses	2,965,072	1,107,523
Increase (decrease) in accrued payroll and related expenses	249,347	(432,743)
Increase (decrease) in master lease agreement	(1,151,487)	(1,040,272)
Increase (decrease) in unearned revenue	180,776	—
Increase (decrease) in other liabilities	581,238	1,531,420
	<u> </u>	<u> </u>
Net cash provided by operating activities	<u>\$ 22,820,612</u>	<u>\$ 26,177,844</u>

(CONCLUDED)

The accompanying notes to the financial statements are an integral part of these statements

Notes to Financial Statements

(1) General Description

The Miami-Dade County Seaport Department (the "Seaport") is a department of Miami-Dade County, Florida (the "County") established for the purpose of operating the Dante B. Fascell Port of Miami-Dade. Miami-Dade County purchased the Port of Miami from the City of Miami for \$1.3 million in 1960 and announced plans to construct a new and improved port on the island property along the south side of the ship channel. The new, improved port included Dodge Island, joined by the bridge to the Miami mainland, plus, immediately to the southeast of Dodge Island, Lummus Island. The two islands later would be joined by fill to form the contiguous island port that exists today.

The accompanying financial statements present only the Seaport and are not intended to present the financial position of the County and results of its operations and its cash flows, in conformity with generally accepted accounting principles in the United States.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Reporting Entity

The Seaport functions as a self-supporting 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, the Seaport'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.

(b) Application of FASB Pronouncements to Proprietary Funds

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, gave the option of adopting Financial Accounting Standards Board (FASB) standards issued after November 30, 1989, unless the latter contradict GASB pronouncements, or not following FASB standards issued after such date. The Seaport elected the option of not following FASB standards.

(c) Implementation of New Accounting Standards

During fiscal year 2006, the Seaport Department adopted the provisions of GASB Statement No. 42 — Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries — ("GASB 42"). GASB 42 establishes accounting and financial reporting standards for impairment of capital assets. Additionally, it clarifies and establishes accounting requirements for insurance recoveries. The adoption of this statement did not have an impact on the financial statements, including required disclosures, of the Seaport.

During fiscal year 2006, the Seaport has adopted the provisions of GASB Statement No. 44 — *Economic Condition Reporting: The Statistical Section* — ("GASB 44"). GASB 44 amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The information contained in the statistical section should assist the user of the financial statements assess the economic condition of the Seaport.

During Fiscal year 2006, the Seaport has adopted the provisions of GASB Statement No. 46 — Net Assets Restricted by Enabling Legislation—an amendment of GASB Statement No. 34 — ("GASB 46"). GASB 46 clarifies that a legally enforceable enabling legislation restriction. Additionally, GASB 46 establishes the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. GASB 46 also requires the disclosure of the portion of total net assets that is restricted by enabling legislation. The adoption of this statement did not have an impact on the financial statements, including required disclosures, of the Seaport.

During fiscal year 2006, the Seaport adopted the provisions of GASB Statement No. 47 — Summary of Statement No. 47 *Accounting for Termination Benefits* — ("GASB 47"). GASB 47 establishes accounting standards for termination benefits. The adoption of this statement did not have an impact on the financial statements, including required disclosures, of the Seaport.

(d) Cash and Cash Equivalents and Investments

The Seaport maintains substantially all of its cash and investments with the County's pool of cash and investments, except for those situations in which separate cash and investment accounts are required to be maintained in accordance with legal restrictions. The Seaport's share of the total pooled cash and investments (including accrued interest), as well as non-pooled cash and investments, is displayed in the statements of net assets as "Cash and Cash Equivalents" and "Investments" under the current unrestricted and current and long-term restricted captions. Income earned or losses arising from pooled cash and investments are allocated by the County on a monthly basis to the appropriate funds and entities based on their respective average daily balances.

Except for money market and nonparticipating investments with remaining maturities of one year or less at the time of purchase, the Seaport reports investments at fair value based on quoted market information obtained from fiscal agents or other sources in the statements of net assets. The investments with maturities of one year at the time of purchase, are reported at amortized cost in the statement of net assets, which approximate fair value. These investments are adjusted for amortization of related discounts or premiums.

All other investments are carried at fair value (see note 3). The net change in the fair value at September 30, 2006 and 2005 is included as part of investment earnings in the accompanying statements of revenue, expenses and changes in fund net assets.

For purposes of the statements of cash flows, the Seaport considers amounts in demand deposits as well as short-term investments with an original maturity of three months or less from the date acquired to be cash equivalents.

(e) Restricted Assets

The use of certain assets is restricted by specific bond covenants and other legal requirements. Assets so designated are identified as restricted assets on the statements of net assets.

(f) Application of Restricted and Unrestricted Assets

The Seaport's policy when both restricted and unrestricted assets are available to be used for a certain purpose is to use restricted assets first, then use unrestricted assets as needed.

(g) Capital Assets and Depreciation

Property and equipment are recorded at cost, except for property contributed by third parties, which is recorded at fair market value at the date of contribution. Expenditures for maintenance, repairs, minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as property additions. When property is disposed of, the cost and related accumulated depreciation is eliminated from the accounts and any gain or loss on the transaction is reflected in the statements of revenue and expenses, and changes in fund net assets.

Capital assets are depreciated over their useful lives unless they are inexhaustible (e.g., land, certain individual items or collections with historical or artistic value). Pursuant to Florida Statute, the Seaport Department capitalizes all assets with a historical cost of \$1,000 or more and a useful life of two years or greater. The Seaport uses the straight-line depreciation method over the following estimated useful lives:

Buildings and structures	25-50 years
Improvements other than buildings	15-50 years
Machinery and equipment	5-25 years

(h) Interest on Indebtedness

Interest is 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. Interest incurred during the fiscal years ended September 30, 2006 and 2005, net of capitalized amounts, was approximately \$23.9 million and \$19.1 million, respectively. In fiscal years 2006 and 2005, \$164,580 and \$651,249 was capitalized respectively, net of interest earnings on construction proceeds.

(i) Refunding of Debt

For current and advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense on a straight-line basis over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred refunding loss amount is reported as a deduction from the debt in the accompanying financial statements.

(j) Bond Discount and Issuance Costs

Discount on bonds and bond issuance costs are amortized using the straight-line method over the life of the related bond issue since the results are not significantly different from the interest method of amortization.

(k) Compensated Absences

The Seaport accounts for compensated absences by accruing a liability for employees' compensation for future absences according to the guidelines of GASB Statement No. 16, *Accounting for Compensated Absences*. As of September 30, 2006 and 2005, long-term liabilities for compensated absences were \$3.0 million and \$2.3 million, respectively and short-term liabilities for compensated absences were \$1.3 million and \$1.1 million, respectively.

(1) Revenue and Expense Classifications

Items of income and expense relating to Seaport property and operations including wharfage, dockage, rental, gantry cranes, ground transportation, water and electric services, parking fees and miscellaneous port services are classified as operating revenue and expenses. All other revenue and expenses are classified as non-operating. The components of the major revenue captions are:

Cruise Wharfage — revenue from charges assessed per passenger when embarking from or debarking to Seaport property.

Cruise Dockage — revenue from charges assessed to cruise vessels for use of berthing space.

Cargo Wharfage — revenue from charges assessed against cargo for the use of the Seaport to load and unload cargo from vessels.

Cargo Dockage — revenue from charges assessed to cargo vessels for use of berthing space.

(m) Rates, Fees, Rentals and Other Charges

If not specified by contract, the Seaport's rates, fees, rentals and other charges are published in Terminal Tariff No.010 and are subject to the rate covenant provisions of Ordinance 88-66 ("Master Bond Ordinance") governing senior lien bonds (see note 5). Pursuant to this covenant, the Seaport agrees that it will maintain the present level of rates, fees, rentals and other charges unless the Seaport Director requests and concurs with recommendations by the Seaport's consulting engineers for revisions. The consulting engineer reviews the rates and issues recommendations to meet the Master Bond Ordinance's provisions. The Seaport reviews its tariffs annually during the budget process for any necessary revisions.

(n) Pension Plan

The Seaport contributes to the Florida Retirement System, a cost-sharing multi-employer plan. Under GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* ("GASB No. 27"), employers that participate in multi-employer defined benefit plans are required to measure and disclose an amount for annual pension costs on the accrual basis of accounting. In fiscal year 2005, the Department has adopted the provisions, pertaining to pension transactions, of GASB Technical Bulletin No. 2004-2 *Recognition of Pension Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers* ("the Bulletin"). The adoption of the Bulletin did not have an impact on the financial statements of the Seaport. The provisions of the Bulletin pertaining to other post employment benefits (OPEB) transactions will be applied simultaneously with the adoption of GASB Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The impact of the adoption has not been estimated.

(o) Grants

Grants received for the acquisition or construction of capital assets are recorded as capital contributions in the Statements of Revenues, Expenses and Changes in Fund Net Assets, when earned. Grants are earned when costs relating to such capital assets, which are reimbursable under the terms of the grants, have been incurred. Revenue from all other grants are recorded as non-operating revenues.

(p) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities 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.

(q) Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

(3) Cash, Cash Equivalents, and Investments

The Seaport and the County pooled cash and investment accounts are required to be maintained in accordance with legal restrictions. The Seaport's equity share of the total pooled cash, is included on the accompanying Statements of Net Assets under the captions "Cash and cash equivalents" and "Investments" under current and restricted asset captions. Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Seaport and the County.

The carrying amounts of the Seaport's local deposits were \$39.7 million and \$35.8 million as of September 30, 2006 and 2005, respectively. All deposits are fully insured by Federal Depository Insurance and are held in qualified public depositories pursuant to State of Florida Statutes Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories 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.

As a rule, the County intends to hold all purchased securities until their final maturity date. There may be occasional exceptions, including, but not limited to the need to sell securities to meet unexpected liquidity needs as well as sales relating to swap transactions. The County does not purchase any security at a lower price with the intent to sell the security later to generate a special gain.

The Seaport's share in the County's investments included the following at September 30, (in thousands):

Investment Type	2006 Fair Value	2005 Fair Value
Federal Home Loan Mortgage Corporation	\$ 7,168	\$ 9,042
Federal Home Loan Bank	6,057	11,014
Federal Farm Credit Banks	919	3,629
Fannie Mae	7,471	11,705
Freddie Mac	102	543
SBA	4,581	4,571
Time Deposits	600	2
Treasury Notes	N/A	176
Commercial Paper	18,207	27,295
Total	\$ 45,105	\$ 67,977

(a) Credit Risk

The County's Investment Policy (the "Policy"), minimizes credit risk by restricting authorized investments to: Local Government Surplus Funds Trust Fund (SBA) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, pursuant to Florida Statutes §280.02, which are defined as banks, savings bank, or savings association organized under the laws of the United States with an office in this state that is authorized to receive deposits, and has deposit insurance under the provisions of the Federal Deposit Insurance Act; direct obligations of the United States Treasury; federal agencies and instrumentalities; securities of, or other interest 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; 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 as provided for by at least one nationally recognized rating service; Banker Acceptances which have a stated maturity of 180 days or less from the date of its issuance, and have the highest letter and numerical rating as provided for by at least one nationally recognized rating service, and are drawn on and accepted by commercial banks and which are eligible for purchase by the Federal Reserve Bank; Investments in Repurchase Agreements ("Repos") collateralized by securities authorized by the policy.

The table below summarizes the investments by type and credit ratings at September 30,

Investment Type	2006 Credit Rating	2005 Credit Rating
Federal Home Loan Mortgage Corporation	AAA	AAA
Federal Home Loan Bank	AAA	AAA
Federal Farm Credit Banks	AAA	AAA
Fannie Mae	AAA	AAA
Freddie Mac	AAA	AAA
SBA	N/A	N/A
Time Deposits	N/A	N/A
Treasury Notes	N/A	N/A
Commercial Paper	A1/P1	A1/P1

(b) Custodial Credit Risk

The Policy requires that bank deposits be secured per Chapter 280, Florida Statutes. This requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2006 all of the County's bank deposits were in qualified public depositories.

The Policy requires the execution of a Custodial Safekeeping Agreement (CSA) for all purchased securities and shall be held for the credit of the County in an account separate and apart from the assets of the financial institution.

(c) Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by investment type and by issuer to limit its exposure to concentration of credit risk. The Policy provides that a maximum of 30% of the portfolio may be invested in SEC registered money market funds with no more than 10% to any single money market fund; a maximum of 20% of the portfolio may be invested in non-negotiable interest bearing time certificates of deposit savings accounts with no more than 5% deposited with any one issuer; a maximum 75% of the total portfolio may be invested in federal agencies and instrumentalities; a maximum of 5% of the portfolio may be invested in open-end or closed-end funds; a maximum of 50% of the portfolio may be invested in prime commercial paper with a maximum of 5% to with any one issuer; a maximum of 25% of the portfolio may be invested in bankers acceptance with a maximum 10% with any one issuer; a maximum of 60% of the portfolio may be invested in both commercial paper and bankers acceptance; a maximum of 10% of the portfolio may be invested with any one institution.

The following issuers held 5% or more of the investment portfolio at September 30,

Issuer	2006 % of Portfolio	2005 % of Portfolio
Federal Farm Credit Bank	N/A	5.33
Federal Home Loan Bank	13.46	16.20
Federal Home Loan Mortgage Corporation	16.03	13.30
Fannie Mae	16.65	17.22

The above excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investments pools.

(d) Interest Rate Risk

The Policy limits interest rate risk by requiring the matching of known cash needs and anticipated net cash outflow requirements; following historical spread relationships between different security types and issuers; evaluating both interest rate forecasts and maturity dates to consider short-term market expectations. The Policy requires that investments made with current operating funds shall maintain a weighted average of no longer than 1 year. Investments for bond reserves, construction funds and other non-operating fund shall have a term appropriate to the need for funds and in accordance with debt covenants. The Policy limits the maturity of an investment to a maximum of 5 years.

The County had the following investments with the respective weighted average maturity in years at September 30,

Investment Type	Weighted Average in Years	Weighted Average in Years
Federal Home Loan Mortgage Corporation	0.77	0.83
Federal Home Loan Bank	0.86	1.07
Federal Farm Credit Banks	0.49	0.88
Fannie Mae	1.37	0.83
Freddie Mac	0.53	0.97
Time Deposits	0.23	0.68
Treasury Notes	N/A	0.08
Commercial Paper	0.07	0.14

(e) Foreign Currency Risk

The Policy limits the County's foreign currency risk by excluding foreign investments as an investment option.

(f) Cash Requirements

During fiscal year 2006, the Seaport maintained the reserves required by the Master Bond Ordinance (see note 5) and made, from available revenue, all transfers and deposits required by the Master Bond Ordinance and other subordinated debt agreements.

(4) Capital Assets

Capital asset activity for the years ended September 30, 2005 and 2006, was as follows (in thousands):

	<u>Balance at 9/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 9/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 9/30/06</u>
Capital assets, not being depreciated:							
Land and related costs	\$ 151,983	\$ 311	\$ —	\$ 152,294	\$ 212	\$ —	\$ 152,506
Construction in progress	83,553	95,512	(26,265)	152,800	45,225	(35,198)	162,827
Total capital assets, not being depreciated	<u>235,536</u>	<u>95,823</u>	<u>(26,265)</u>	<u>305,094</u>	<u>45,437</u>	<u>(35,198)</u>	<u>315,333</u>
Capital assets being depreciated:							
Buildings, transit sheds and terminals	332,651	14,930	—	347,581	3,591	—	351,172
Improvements other than buildings	175,871	11,206	—	187,077	30,642	—	217,719
Machinery and equipment	15,984	1,185	(3,268)	13,901	1,235	—	15,136
Total capital assets being depreciated	<u>524,506</u>	<u>27,321</u>	<u>(3,268)</u>	<u>548,559</u>	<u>35,468</u>	<u>—</u>	<u>584,027</u>
Less accumulated depreciation for:							
Buildings, transit sheds and terminals	(110,729)	(9,754)	—	(120,483)	(10,111)	—	(130,594)
Improvements other than buildings	(48,900)	(4,133)	—	(53,033)	(5,002)	—	(58,035)
Machinery and equipment	(10,823)	(985)	2,547	(9,261)	(1,019)	—	(10,280)
Total accumulated depreciation	<u>(170,452)</u>	<u>(14,872)</u>	<u>2,547</u>	<u>(182,777)</u>	<u>(16,132)</u>	<u>—</u>	<u>(198,909)</u>
Total capital assets, being depreciated, net	<u>354,054</u>	<u>12,449</u>	<u>(721)</u>	<u>365,782</u>	<u>19,336</u>	<u>—</u>	<u>385,118</u>
Total capital assets, net	<u>\$ 589,590</u>	<u>\$ 108,272</u>	<u>\$ (26,986)</u>	<u>\$ 670,876</u>	<u>\$ 64,773</u>	<u>\$ (35,198)</u>	<u>\$ 700,451</u>

(5) Long-Term Debt

(a) Bond Covenant

Under the provisions of Master Ordinance 88-66, as amended, (the "Ordinance") authorizing the issuance of senior lien bonds, the County has issued Seaport Revenue Bonds and Seaport General Obligation Bonds on a parity basis. Principal is paid annually on October 1 for all Revenue and General Obligation Bonds; interest is paid semiannually on October 1 and April 1 every year. The revenue bonds are payable solely from the revenue of the Seaport and are not general obligations of the County. The general obligation bonds are payable primarily from the revenue of the Seaport, and, to the extent that the revenue of the Seaport is insufficient, are payable from ad valorem taxes levied on property in Miami-Dade County without limit as to rate or amount. The Ordinance requires the County to maintain and revise the schedule of rates and fees at the Seaport such that revenue will be sufficient to provide an amount at least equal to the total of: (a) 100 percent of operating expenses (seaport operations, as defined), as computed from the annual budget; (b) 125 percent of the maximum principal and interest requirements on all revenue bonds for any future fiscal year plus 110 percent of the maximum principal and interest requirements on general obligation bonds for any future fiscal year; (c) 100 percent of the debt service reserve account deposit requirement; and (d) 100 percent of the amount established in the annual budget to be deposited to the reserve maintenance fund in the current fiscal year. The net revenue requirements for maximum principal and interest applicable to Revenue Bonds and General Obligation Bonds were met in fiscal year 2006.

(b) Seaport Revenue Bonds

Seaport Revenue Refunding Bonds, Series 1990E — On August 1, 1990, the County issued \$29.4 million of Seaport Refunding Revenue Bonds, Series 1990E, Bonds the proceeds of which, together with other legally available moneys, were used to repay \$29.4 million of the County's outstanding Seaport Revenue Bonds Series 1985. On September 29, 1995, the Series 1990E Bonds were partially refunded by issuance of the Seaport Revenue Refunding Bonds Series 1995 which prepaid \$15.6 million of the then outstanding \$27.3 million. The Series 1990E Bonds are scheduled for payment through the year 2008.

Seaport Revenue Refunding Bonds, Series 1995 — On September 29, 1995, the County issued \$44.9 million of Seaport Refunding Revenue Bonds Series 1995, the proceeds of which, together with other legally available moneys, were used to: (1) prepay \$16.9 million of the \$17.3 million outstanding for Seaport Revenue Refunding Bonds Series 1988A; (2) prepay \$13.3 million of the \$13.6 million outstanding for Seaport Revenue Refunding Bonds Series 1988B; (3) prepay \$15.6 million of the \$27.3 million outstanding for Seaport Revenue Refunding Bonds Series 1990E; and (4) to pay issuance costs. The Series 1995 Bonds are scheduled for payment through the year 2015.

Seaport Revenue Bonds, Series 1996 — On November 21, 1996, the County issued \$29.3 million of Seaport Revenue Bonds, Series 1996. The net proceeds of \$28.8 million were used to: (1) pay the costs of capital improvements to certain of the Seaport Department's passenger terminal facilities; (2) pay issuance costs; (3) and to fund a portion of the Reserve Account Requirement for the Series 1996 Revenue Bonds. The Series 1996 Bonds are scheduled for payment through the year 2026.

(c) Seaport General Obligation Bonds

Seaport General Obligation, Refunding Bonds, Series 1996 — On January 18, 1996, the County issued \$149.9 million of Seaport General Obligation Refunding Bonds, Series 1996 ("Series 1996 G.O. Refunding Bonds"). The net proceeds of approximately \$149.7 million, together with approximately \$6.6 million of other available Seaport funds were used to: (1) fund the escrow account used to advance refund approximately \$138.3 million of the outstanding Seaport General Obligation Bonds; (2) fund \$4.4 million for the balance of the Reserve Account Requirement for the Series 1996 G.O. Refunding Bonds; and (3) pay issuance costs.

The Series 1996 G.O. Refunding Bonds are payable primarily from the revenue of the Seaport on a parity basis with the Seaport's outstanding Revenue Bonds and the portion of the Series 1992 Bonds not refunded by the Series 1996 G.O. Bonds. The Series 1996 G.O. Bonds are additionally a general obligation of the County, and, to the extent that the revenue of the Seaport is insufficient to pay debt service on the Series 1996 G.O. Refunding Bonds, are payable from ad valorem taxes levied on all taxable property in the County without limit as to rate or amount. The series 1996 G.O. Refunding Bonds are scheduled for payment through 2026.

(d) Loans Payable and Sunshine State Governmental Finance Commission

The loans payable represent junior lien debt of the Seaport and are subordinate to all other outstanding Seaport debt. Additionally, all covenants associated with the loan agreements for the Sunshine State Governmental Financing Commission loans are applicable to the County and not the Seaport.

(e) Sunshine State Loans

The loans payable are secured by a covenant of the County to appropriate in its annual budget sufficient funds from legally available non-ad valorem revenue to satisfy the debt service requirements on the loans. Although the security for the loans payable is the promise to budget legally available non-ad valorem revenue, the actual debt service is to be paid solely from available Seaport revenue; accordingly, the debt has been reflected in the accompanying financial statements.

Debt Restructuring

During fiscal year 2006, the Seaport Department restructured five of its loans. The restructuring will smooth out the principal payments and begin accelerating the balloon payment on the 1987 Sunshine State loan with annual principal payments through 2016. In order to provide for the repayment of the 1987 Sunshine State loan, the payments on the 1998, 1999 and 2001 Sunshine State loans are being deferred to 2015 and the 1995 Sunshine State loan to 2016; at which time these loans will begin amortizing through the revised maturity. Each of the loans' final maturity is being extended, resulting in budget relief for the Seaport Department. The payment restructuring will assist towards better managing the Seaport's debt.

1987 Sunshine State Loan — On July 21, 1987, the Board of County Commissioners enacted an ordinance authorizing the County to incur indebtedness in an aggregate principal amount not to exceed \$50 million, in the form of a loan from the Sunshine State Governmental Financing Commission (the "Commission"), for the primary purposes of financing certain improvements for the Port of Miami, acquiring certain gantry cranes in operation at the Port of Miami and defeasing certain indebtedness incurred with respect to such gantry cranes and the payment of loan expenses. The loan had a balloon payment for any outstanding balance, due on July 1, 2012. As of September 30, 2006 the loan balance is \$41.65 million.

On October 19, 1987, the County entered into such loan agreement with the Commission in the amount of \$50 million. Initially, the Seaport entered into an agreement with the County whereby such borrowing was to be repaid under a debt structure of interest only for five years and level debt service amortization over a period of 25 years beginning in 1994. In fiscal year 1996, the County agreed to allow

the Seaport to defer amortizing principal on the loan until the year 2000 so the Seaport could meet other commitments. The loan was restructured during the 2006 fiscal year. As a result of the restructuring, the “balloon” payment has been replaced with principal install payments. The first of these payments is due in 2006 and the final maturity will be in 2016. Additionally, the original maturity of July 2012 has been deferred to July 2016.

The table below summarizes the principal outstanding, the original maturity and the restructured maturity.

Loan Series	Amount Outstanding	Original Maturity	Principal Payment Before Restructuring	Principal Payment After Restructuring	Restructured Final Maturity
1987	\$41,650,000	July 2012	Balloon	2006	2016

1995 Sunshine Loan - On April 4, 1989, the Board of County Commissioners enacted an ordinance authorizing the County to incur indebtedness in an aggregate principal amount not to exceed \$40 million, in the form of a loan from the First Municipal Loan Council's Pooled Loan Program (Florida League of Cities First Municipal Loan Program), for the primary purposes of financing certain improvements at the Port of Miami, acquiring certain gantry cranes in operation at the Port of Miami, funding capitalized interest, and the payment of loan expenses.

On May 31, 1989, the County, on behalf of the Seaport, entered into such loan agreement with the First Municipal Loan Council in the amount of \$40 million. On November 28, 1995, the loan was refinanced in the amount of \$41.39 million through a loan from the Commission. The 1995 Sunshine Loan is a fully amortizing loan with principal due annually beginning October 1, 2012 through its scheduled maturity date on December 1, 2020. The loan was restructured during the 2006 fiscal year. As a result of the restructuring, the original first principal repayment in December 2012 has been deferred to December 2016 and the final maturity has been extended from December 2020 to December 2033.

The table below summarizes the principal outstanding, the original maturity and the restructured maturity.

Loan Series	Amount Outstanding	Original Maturity	Principal Payment Before Restructuring	Principal Payment After Restructuring	Restructured Final Maturity
1995	\$41,390,000	December 2020	December 2012	December 2016	2033

1998 Sunshine Loan - On April 21, 1998, the Board of County Commissioners enacted an ordinance authorizing the County to incur indebtedness in an aggregate principal amount not to exceed \$35 million, in the form of a loan from the Commission, for the primary purposes of providing matching funds for grants received to finance certain cruise terminal and cargo berthing improvements at the Port of Miami, to refinance a portion of the Seaport revenue refunding bonds, and provide for the payment of loan expenses.

On October 6, 1998, the County, on behalf of the Seaport, entered into such loan agreement with the Commission in the amount of \$20.6 million. The 1998 Sunshine Loan is a fully amortizing loan with principal due annually beginning October 1, 1999 through its scheduled maturity date on October 1, 2023. The loan was restructured during the 2006 fiscal year. As a result of the restructuring, the original first principal repayment in December 2012 has been deferred to October 2015 and the final maturity has been extended from December 2020 to December 2033.

The table below summarizes the principal outstanding, the original maturity and the restructured maturity.

Loan Series	Amount Outstanding	Original Maturity	Principal Payment Before Restructuring	Principal Payment After Restructuring	Restructured Final Maturity
1998	\$17,095,000	October 2023	October 1999	October 2015	2033

1999 Sunshine Loan — On February 28, 1998, the Board of County Commissioners enacted an ordinance authorizing the County to incur indebtedness in an aggregate principal amount not to exceed \$120 million, in the form of a loan from the Commission, for the primary purposes of providing matching funds for grants received to finance certain cruise terminal and cargo berthing improvements at the Port of Miami and provide for the payment of loan expenses.

On September 28, 1999, the County, on behalf of the Seaport, entered into such loan agreement with the Commission in the amount of \$36 million. The 1999 Sunshine Loan is a fully amortizing loan with principal due annually beginning October 1, 2000 through its scheduled maturity date on October 1, 2024. The loan was restructured during the 2006 fiscal year. As a result of the restructuring, the principal payments were deferred until October 2015 and the final maturity has been extended from October 2015 to December 2033.

The table below summarizes the principal outstanding, the original maturity and the restructured maturity.

Loan Series	Amount Outstanding	Original Maturity	Principal Payment Before Restructuring	Principal Payment After Restructuring	Restructured Final Maturity
1999	\$30,575,000	October 2024	October 2000	October 2015	2033

2001 Sunshine Loan — On June 19, 2001, the Board of County Commissioners enacted an ordinance authorizing the County to incur indebtedness in an aggregate principal amount not to exceed \$199 million, in the form of a loan from the Commission. The primary purposes of said loans is for paying the cost of capital improvements at the Port of Miami, refunding outstanding Port obligations and providing for the payment of loan expenses.

On September 2, 2001, the County, on behalf of the Seaport, entered into two loan agreements with the Commission, one for \$108 million Tax Exempt AMT Commercial Paper Revenue Notes and one for \$42 million Tax Exempt Commercial Paper Revenue Notes, both totaling \$150 million. The 2001 Sunshine loans are fully amortizing loans with principal due annually beginning October 1, 2002 through their scheduled maturity dates on October 1, 2028. The loan was restructured during the 2006 fiscal year. As a result of the restructuring, the principal payments were deferred until October 2015 and the final maturity has been extended from October 2015 to December 2032.

The table below summarizes the principal outstanding, the original maturity and the restructured maturity.

Loan Series	Amount Outstanding	Original Maturity	Principal Payment Before Restructuring	Principal Payment After Restructuring	Restructured Final Maturity
2001	\$143,000,000	October 2028	October 2002	October 2015	2032

2005 Sunshine Loan — On August 23, 2005, the Board of County Commissioners enacted an ordinance authorizing the County to incur indebtedness in an aggregate principal amount not to exceed \$75 million, in the form of a loan from the Commission. The primary purposes of said loan is for paying the cost of capital improvements at the Port of Miami and providing for the payment of loan expenses.

On September 30, 2005, the County, on behalf of the Seaport, entered into a loan agreement with the Commission for \$75 million Tax Exempt Commercial Paper Notes. The 2005 Sunshine loan is a fully amortizing loan with principal due annually beginning September 1, 2021 through the scheduled maturity date on September 1, 2035.

(f) Long-Term Debt Summary

A summary of the Seaport's outstanding debt for the fiscal years ended September 30, 2006 and 2005 is presented in the following table (dollars in thousands):

Description	Date of Issuance	Interest Rate	Amount Issued	Year of Maturity	Outstanding Balance 2006	Outstanding Balance 2005
Dade County Seaport Revenue Bonds:						
Series 1990E (Refunding Bonds)	1990	6.20%-8.00%	29,400	2008	\$ 4,135	\$ 5,315
Series 1995 (Refunding Bonds)	1995	4.60%-6.20%	44,950	2015	38,550	39,550
Series 1996	1996	4.00%-5.50%	29,270	2026	24,870	25,510
Less:						
Unamortized discount and deferred amounts					(1,587)	(1,922)
Current portion					(2,980)	(2,820)
					<u>62,988</u>	<u>65,633</u>
Dade County Seaport General Obligation Bonds:						
Series 1996 (Refunding Bonds)	1996	4.40% - 6.50%	149,950	2026	142,215	145,710
Less:						
Unamortized discount and deferred amounts					(8,640)	(9,147)
Current portion					(3,705)	(3,495)
					<u>129,870</u>	<u>133,068</u>
Sunshine State Loans:						
1987 Loan	1987	3.57%	50,000	2016	41,650	41,650
1995 Loan	1995	3.72%	41,390	2033	41,390	41,390
1998 Loan	1998	3.77%	20,605	2033	17,095	17,675
1999 Loan	1999	3.77%	36,000	2033	30,575	31,580
2001 Loan	2001	3.77%	150,000	2032	143,000	145,000
2005 Loan	2005	3.71%	75,000	2035	75,000	75,000
Less: Current portion					(3,405)	(3,585)
					<u>345,305</u>	<u>348,710</u>
Total long-term debt, net					\$ <u>538,163</u>	\$ <u>547,411</u>

(g) Debt Service Requirements

The Seaport's debt service requirements to maturity by type, including the current portion, at September 30, 2006, are as follows (in thousands):

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total debt Service</u>
Revenue Bonds			
2007	2,980	3,844	6,824
2008	3,180	3,638	6,818
2009	3,395	3,416	6,811
2010	3,620	3,192	6,812
2011	5,475	2,916	8,391
2012-2016	32,555	9,309	41,864
2017-2021	6,270	3,647	9,917
2022-2026	8,170	1,695	9,865
2027	1,910	53	1,963
Total	<u>\$ 67,555</u>	<u>\$ 31,710</u>	<u>\$ 99,265</u>
G.O. Bonds			
2007	3,705	7,453	11,158
2008	3,940	7,209	11,149
2009	4,200	6,945	11,145
2010	4,470	6,663	11,133
2011	4,755	6,363	11,118
2012-2016	28,080	27,589	55,669
2017-2021	36,050	19,414	55,464
2022-2026	46,290	8,916	55,206
2027	10,725	275	11,000
Total	<u>\$ 142,215</u>	<u>\$ 90,827</u>	<u>\$ 233,042</u>
State Loans			
2007	3,405	12,932	16,337
2008	3,500	12,809	16,309
2009	3,500	12,684	16,184
2010	3,500	12,559	16,059
2011	4,000	12,428	16,428
2012-2016	34,918	59,618	94,536
2017-2021	60,907	50,318	111,225
2022-2026	63,902	38,433	102,335
2027-2031	121,898	21,652	143,550
2032-2035	49,180	3,057	52,237
Total	<u>\$ 348,710</u>	<u>\$ 236,487</u>	<u>\$ 585,197</u>
Grand Total	<u>\$ 558,480</u>	<u>\$ 359,024</u>	<u>\$ 917,504</u>

State loans are variable rate debt with interest calculated on the basis of the interest paid in the last month of the fiscal year.

(h) Prior Year's Defeasance of Debt

In prior years, the County defeased certain bonds by placing the proceeds of new bond issues in irrevocable trusts and investing them in direct obligations of the U.S. Government to provide for all future debt service payments on the old bonds. At September 30, 2006 and 2005, there were no defeased bonds outstanding.

(6) Master Lease Agreement

The County has entered into a Master Agreement and an Office Space Building Lease Agreement (the "Master Lease Agreement") with a cruise ship company (the "Company"). Pursuant to this Master Lease Agreement, the Company obtained a \$16.5 million loan from a private lender ("the Lender") to finance the turnkey construction of an office building at the Seaport. Upon the issuance of a certificate of occupancy on December 28, 1990, the County obtained the building from the Company and executed a nonrecourse promissory note for \$16.5 million at a fixed interest rate of 10.2 percent. The Lender's collateral for the note consisted of an assignment of the annual rent of approximately \$1,937,000 which is equal to the debt service under the terms of the loan to be paid by the Company under a 20-year lease agreement for the building.

During fiscal year 2001, the Company paid off the remaining balance of the loan. At this time, under the terms of the Master Lease Agreement, the Company is receiving deferred rental credits from the Seaport until the 20 year repayment period expires. The balance of the Master Lease Agreement was \$7.1 million and \$8.2 million as of September 30, 2006 and 2005, respectively.

(7) Florida Ports Financing Commission Funding

On July 17, 1996, the Florida Ports Financing Commission (the "Ports Commission") was created for the purpose of issuing bonds to assist ports in Florida fund approved capital projects. The bonds are solely payable from certain motor vehicle registration fees in Florida. The bonds are not a liability of the Seaport.

On September 17, 1999, the Ports Commission issued the Series 1999 bonds, in the amount of \$153 million. Of the amount, the Seaport was allocated \$31.5 million. As of September 30, 2006, and September 30, 2005 the Seaport had drawn \$30.3 million and \$28.6 million of the allocated amount of \$31.5 million.

(8) Long-Term Obligation Activity

Changes in long-term obligations for the year ending September 30, 2005 are as follows (in thousands):

	Balance at 9/30/04	Increase	Decrease	Balance at 9/30/05	Due Within One Year
Bonds and loans payable:					
Revenue bonds	\$ 73,015	\$ —	\$ 2,640	\$ 70,375	\$ 2,820
General obligation bonds	149,010	—	3,300	145,710	3,495
Sunshine State loans	283,310	75,000	6,015	352,295	3,585
Unamortized discounts and deferred amounts	(11,542)	—	(473)	(11,069)	—
Total	493,793	75,000	11,482	557,311	9,900
Other liabilities:					
Master lease agreement	\$ 9,260	\$ —	\$ 1,041	\$ 8,219	\$ 1,151
Arbitrage rebate	3,510	—	548	2,962	2,962
Compensated absences	3,434	1,831	1,813	3,452	1,096
Mitigation liability-consent order	2,500	—	24	2,476	—
Assets held in trust	352	5	—	357	—
Other-customer	163	1,780	33	1,910	33
Total	19,219	3,616	3,459	19,376	5,242
Total long-term liabilities	\$ 513,012	\$ 78,616	\$ 14,941	\$ 576,687	\$ 15,142

Changes in long-term obligations for the year ending September 30, 2006 are as follows (in thousands):

	<u>Balance at 9/30/05</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 9/30/06</u>	<u>Due Within One Year</u>
Bonds and loans payable:					
Revenue bonds	\$ 70,375	\$ —	\$ 2,820	\$ 67,555	\$ 2,980
General obligation bonds	145,710	—	3,495	142,215	3,705
Sunshine State loans	352,295	—	3,585	348,710	3,405
Unamortized discounts and deferred amounts	(11,069)	—	(842)	(10,227)	—
Total	<u>557,311</u>	<u>—</u>	<u>9,058</u>	<u>548,253</u>	<u>10,090</u>
Other liabilities:					
Master lease agreement	\$ 8,219	\$ —	\$ 1,151	\$ 7,068	\$ 1,275
Arbitrage rebate	2,962	449	1,176	2,235	1,785
Compensated absences	3,452	2,442	1,655	4,239	1,280
Mitigation liability-consent order	2,476	—	11	2,465	—
Assets held in trust	357	11	—	368	—
Other-customer	1,910	—	33	1,877	33
Total	<u>19,376</u>	<u>2,902</u>	<u>4,026</u>	<u>18,252</u>	<u>4,374</u>
Total long-term liabilities	<u>\$ 576,687</u>	<u>\$ 2,902</u>	<u>\$ 13,084</u>	<u>\$ 566,505</u>	<u>\$ 14,464</u>

(9) Restricted Assets

Restricted assets represent bond proceeds and other moneys required to be restricted for debt service and maintenance and improvements under the terms of outstanding bond and other contractual agreements.

Assets restricted for debt service are for the payment of bond principal and interest. Assets restricted for reserve maintenance are for the payment of unusual or extraordinary maintenance or repairs of Seaport properties that are intended to extend the life of the asset.

Under the terms of outstanding bond and other contractual agreements, assets were restricted for the following purposes (in thousands):

	<u>2006</u>	<u>2005</u>
Debt service	\$ 23,901	\$ 29,720
Capital grants receivable and construction advances	4,438	11,582
Improvement and construction	50,809	64,300
Total	<u>\$ 79,148</u>	<u>\$ 105,602</u>

(10) Employment Benefits

(a) Pension Plan

The Seaport, as a department of the County, participates in the Florida Retirement System (the "FRS"), a cost-sharing, multi-employer retirement plan, which covers substantially all of the Seaport's full-time and part-time employees. The FRS was created in 1970 by consolidating several employee retirement systems. The FRS is noncontributory and is administered by the State of Florida. All eligible employees as defined by the State who were hired after 1970, and those employed prior to 1970, who elect to be enrolled, are covered by the System.

The Florida Legislature created a new defined contribution program that was added to the menu of choices available to FRS members beginning in June 2002. Formally created as the Public Employee Optional Retirement Program (PEORP), the FRS Investment Plan is available as an option for all current and future FRS members, including renewed members (FRS retirees who have returned to FRS employment). The FRS Investment Plan is a defined contribution plan, in which the monthly contribution rate is fixed, the final benefit will be the total account value (contributions plus investment earnings less expenses and losses) distributed during retirement.

Benefits under the plan vest after six years of service. Employees who retire at or after age 62, with six years of credited service, are entitled to an annual retirement benefit, payable monthly for life. The FRS also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by State of Florida statutes.

Pension costs for the Seaport as required and defined by the FRS ranged between 9.85% to 20.92%, 7.83% to 18.53%, and 7.39% to 18.53%, of gross salaries for fiscal years 2006, 2005 and 2004, respectively. For the fiscal years ended September 30, 2006, 2005 and 2004, the County contributed 100 percent of the annual required contributions. These contributions aggregated \$227 million, \$230 million, and \$206 million, respectively, which represents 11.3 %, 10.2% and 10.1% of covered payroll, respectively, and 10.4%, 10.7% and 10.1% of the total contributions required of all participating agencies for fiscal years 2006, 2005 and 2004.

Pension costs of the Seaport for the years ended September 30, 2006, 2005 and 2004, as required and defined by the System, were \$1.5 million, \$1.3 million and \$1.1 million, respectively. These amounts are included in salaries, wages and employee benefits expense in the accompanying statements of revenue and expenses and changes in fund net assets.

The complete financial report of the FRS may be obtained by writing Division of Retirement, P.O. Box 9000, Tallahassee, Florida, 32315-9000; or by contacting Research & Education by email at rep@dms.mvflorida.com. or by phone toll-free at 877-FRS-1FRS (877-377-1737), at 850-488-5706 in the Tallahassee local calling area, or at SUNCOM 278-5706.

(11) Risk Management

The County's Risk Management Division (the "RMD") administers property, workers' compensation and general and automobile liability self-insurance programs. The Seaport, along with other County Departments, participates in the County's self-insurance programs. Certain group health insurance programs are also self-insured, subject to certain stop-loss provisions. An independent administrator administers the programs.

The County's self-insurance program covers the first \$5 million of property losses for most perils. A \$200 million self insured retention per occurrence applies to named windstorm losses. Named windstorm coverage is limited to \$350 million per occurrence (inclusive of deductible). Insurance coverage is maintained with independent carriers for property losses in excess of self insured retentions. The Seaport's container gantry cranes are covered under an independent policy through the current crane management company. During fiscal years 2006 and 2005 there were no property damage claims at the Seaport that exceeded the commercial coverage.

The County maintains no excess coverage with independent insurance carriers for the workers' compensation and general liability self-insurance programs. Premiums are charged to the various County departments based on amounts necessary to provide funding for current losses and to meet the required annual payments during the fiscal year. For the years ended September 30, 2006 and 2005, the Seaport paid approximately \$2.0 million and \$1.6 million, respectively, in premiums. At September 30, 2006 and 2005, the Seaport had no outstanding payable to RMD for self-insurance premiums.

The estimated liability for reported and unreported claims of the self-insurance programs administered by RMD is determined annually based on the estimated ultimate 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 are based on historical experience and is performed by an independent actuary. The long-term portion of the estimated liability is recorded in the internal service fund of the County and thus is not allocated down to the Seaport. This amount was \$472,000 and \$489,000 in fiscal years 2006 and 2005, respectively. At September 30, 2006 and 2005, the total current estimated liability for self-insurance claims of the Department was approximately \$168,000 and \$124,000, respectively.

(12) Due From Other Governments

The Seaport has received state and federal grants for various cruise and cargo improvements including a harbor-dredging project. As of September 30, 2006 and 2005, total receivables were \$1.4 million and \$1.2 million, respectively. State grant receivables as of September 30, 2006 and 2005, totaled \$0.7 million and \$0.9 million, respectively, and are invoiced to the granting agency upon payment by the Seaport to the contractor.

(13) Construction Advances

The Seaport recorded a receivable as of September 30, 2003, in the net amount of \$9.7 million, from the United States Army Corps of Engineers ("USACOE"). During fiscal year 2004, the County and the USACOE entered into a Project Cooperation Agreement ("PCA"), which provided for the liquidation of this receivable. Additionally, as part of the PCA, the Seaport was required to deposit \$9.7 million as an advance to restart the dredging project and an additional \$6.8 million optional construction elements included in the agreement. The \$16.5 million is being amortized as construction work is completed and as of September 30, 2006, the \$13.5 million advance has been liquidated. Construction advances' balances were \$3.0 million and \$10.3 million for fiscal years 2006 and 2005, respectively.

(14) Related-Party Transactions

Various departments within the County provide goods, administration, public safety, maintenance and various other services to other operating departments. Charges for these services are determined using direct and indirect cost allocation methods or amounts determined based upon direct negotiations between the related parties. Charges for services provided to the Seaport by other County departments included as operating expenses in the accompanying statements of revenue and expenses and changes in fund net assets amounted to approximately \$20.1 million and \$17.8 million for the years ended September 30, 2006 and 2005, respectively.

The following table presents a list of providers of services and respective charges for the years ended September 30, 2006 and 2005 (in thousands):

	<u>2006</u>	<u>2005</u>
Audit and Management Services	\$ 110	\$ 142
Fire	2,100	2,100
Fleet Management	1,092	1,043
General Fund	2,493	2,210
Information Technology	810	772
Miami-Dade Police	10,050	8,517
Public Works	70	(15)
Solid Waste	223	179
Miami-Dade Water and Sewer	2,425	2,043
Other	721	854
Total	<u>\$ 20,094</u>	<u>\$ 17,845</u>

Charges for services provided to the Seaport by other County departments and community based organizations included as non-operating expenses in the accompanying statements of revenue and expenses and changes in fund net assets amounted to \$818,519 and \$1,282,606 for the years ended September 30, 2006 and 2005, respectively.

In fiscal year 1998, the County transferred \$17 million to the Seaport for the purpose of reducing a cash deficit that had accumulated over a six-year period beginning in fiscal year 1992. It was recommended that the Seaport reimburse the \$17 million to the County from future revenues (allowable by law) on an as available basis. During fiscal year 2006 and 2005 the Seaport made payment totaling \$289,000 and \$222,000, respectively. The remaining \$13,873,000 has not been recorded in the accompanying financial statement as the Seaport is not obligated to repay the amount.

(15) Commitments, Contingencies and Guarantees

(a) Gantry Crane Maintenance Agreement

The Seaport's gantry crane operation had been maintained by a private company (the "Operating Company") under a restated and amended operating agreement, dated November 1, 1988.

During 1997, certain activities of the Operating Company came under investigation by local, state and federal authorities to determine whether user fees belonging to the County were spent by the Operating Company for improper or illegal purposes. In addition, County investigation indicates that shipping companies may not have been billed or were under billed for gantry crane services. This contract was terminated by the County on May 19, 1998.

During the term of the Restated and Amended Agreement, the County received approximately \$3.9 million (cumulatively) from the Operating Company for user fees in excess of the amounts retained. In addition, the County believes the Operating Company has an obligation to repay certain operating advances and ground lease rentals of approximately \$11.5 million that carried forward from the previous agreement, plus accrued interest thereon. This obligation has not been reflected in the accompanying financial statements due to uncertainty of receipt. Such balances accrue simple interest at an annual rate of 7.8 percent and are reduced by excess usage fees paid by the Operating Company. The Seaport has received approximately \$500,000 (cumulatively) from the Operating Company for excess usage fees. The County believes that collection of any amounts owed by the Operating Company, pursuant to the Agreement, is doubtful due to the negative net worth of the Operating Company.

The County has filed a claim against the Operating Company for breach of contract, breach of fiduciary duty, civil theft, and declaratory relief, among others. The County believes it has a claim against the Operating Company for recovery of improper expenditures. The full amount has not been determined. The County has concluded, at this time, that it is not possible to determine the amount, if any, that may be collectible from the Operating Company, if it is determined that amounts were spent improperly. Therefore, no amount has been recorded in the accompanying financial statements.

The Operating Company has filed a counterclaim against the County alleging Seaport officials required them to pay for expenses that were not related to gantry crane activities; therefore, creating deficits that could have been used to reduce amounts owed to the Seaport. Management does not believe this will have an adverse affect on the financial statements of the Seaport.

On May 19, 1998, pursuant to Resolutions R-456-98 and R-514-98, the County terminated the Agreement with the Operating Company and entered into an Interim Gantry Crane Management Agreement (the "Interim Agreement") with a company (the "Interim Operator") to take over the maintenance of the gantry cranes.

On June 6, 1999, the Board of County Commissioners adopted Resolution R-671-99 adopting in principle the Crane Maintenance Company Business Plan proposed by the Seaport and recommended by the County Manager. This plan provided for the creation of a not-for-profit company, Port of Miami Crane Management, Inc. ("Crane Management"), to replace the Interim Operator.

On August 5, 2002, the County and Crane Management entered into an Agreement for maintenance and management of the container handling cranes and cargo handling equipment at the Port. The term of the Agreement is for a period of five years with a renewal option for another five years at the County's sole discretion. Crane Management became fully operational in October 2002 and took over the maintenance of the Port's gantry cranes. Crane Management is responsible to a board of directors appointed by the Board of County Commissioners, the County Manager, the Port Director, and Port users. Container crane user revenues for fiscal years 2006 and 2005 totaled \$10.3 million and \$11.1 million, respectively.

(b) Cruise Terminal Usage Agreements and Terminal Operating Agreement

During fiscal years 1998 and 1999, the Board approved various resolutions authorizing the County Manager to execute terminal usage agreements with two major cruise lines (the "Lines") and a terminal operating agreement with one of the cargo terminal operators. These agreements provide certain wharfage and dockage incentive discounts from the published Tariff in return for annual revenue guarantees and preferential berthing arrangements at certain terminal facilities. The cargo terminal operator agreement also provides for container yard improvements and reduced reefer rates.

The terminal usage agreements are 15-year contracts with five-year renewal options wherein each line guarantees to pay minimum annual revenue of not less than \$6.5 million in the first year and increasing annually thereafter during the initial term of the agreements. The lines receive incentives ranging from 27 percent to a maximum of 33 percent from the published wharfage and dockage rates. Annual dockage and wharfage increases are capped, with only one increase per annum.

(c) Dredging Project

The Seaport entered into a contract in 1994 with a dredging company for the dredging of the Port of Miami's south channel. The total cost of the project, including two approved change orders, was approximately \$40.5 million. The performance of the contractual obligation was backed by a performance bond. In January 1997, the dredging company filed for Chapter 11 bankruptcy protection and shortly thereafter demobilized its equipment and abandoned the project. In March 1998, the dredging company rejected the contract and prompted the County to make formal demand on the performance bond company ("bond company"). When the bond company neither tendered the amount of the bond to the County, nor promptly started the project, the County filed suit against the bond company.

Also during fiscal year 1998, the County discovered that the dredging company had billed the County approximately \$29.3 million, however, they had completed only \$19.4 million worth of the dredging project; hence, over-billing the Seaport for approximately \$9.9 million. The Seaport has recorded the amount of the overpayment as a construction advance.

During 1999, the bond company brought in a replacement contractor to complete the work left unfinished. Subsequently, the replacement contractor abandoned the project leaving a significant amount of dredging work pending. The County has sought to recover the overpayment made by filing a proof of claim in the dredging company's bankruptcy proceeding, as well as initiate a civil suit against the bond company. The bond company in turn has filed a counterclaim against the County, seeking approximately \$29 million in alleged damages. Additional portions of the project have been completed, thereby reducing the estimated advance to approximately \$8.9 million.

On January 24, 2006, the County and bond company reached a settlement whereby the bond company waived all rights to counterclaims and agreed to pay a total of \$22.5 million to the Seaport Department. On February 24, 2006, the Seaport received \$21.3 million with additional payments totaling \$1.2 million to be made in subsequent fiscal years. The remaining balance will be paid equally (\$625,000) in fiscal year 2007 and 2008.

(d) Consent Order

During fiscal year 2002, the Miami-Dade County Board of County Commissioners authorized the County Manager to execute a Consent Order between the State of Florida Department of Environmental Protection ("FDEP") and Miami-Dade County for settlement of Miami Harbor dredging permit violations committed by the Seaport's former dredging contractor. Accordingly, the Seaport has recognized an expense and related liability for the fiscal year 2002 in the amount of \$2.5 million, which is the amount estimated to satisfy the Consent Order. As of September 30, 2006 and 2005, \$2.4 million was the remaining balance. The County is pursuing potential reimbursement opportunities through the United States Corps of Engineers Miami Federal Harbor Project.

(e) Building Lease Agreement

The Seaport entered into an office building lease agreement (the "Lease Agreement") with one of its cruise line customers (the "Lessee") to finance and construct an office building and related improvements (the "Building") at the Seaport. The Building was to be occupied and used by the Lessee, the Seaport would assume any financing, up to a maximum of \$16.6 million, enter into an agreement for the Lessee to finance the construction of the Building and possess fee simple title to the Building. Under the terms of the Lease Agreement, the Lessee is to pay base rent of an amount per year equal to the amount per year of debt service payments on the financing assumed by the Seaport.

The construction of the Building has been completed; however, the Seaport and the Lessee are currently in dispute over certain terms and conditions of the Lease Agreement. As a result, the Seaport has neither assumed any financing which may have been entered into by the Lessee to finance the construction of the Building nor possesses fee simple title to the Building. Until the Seaport obtains title to the building and assumes any debt and until any other uncertainties regarding the contract are resolved, the Seaport has not included such asset and related liability, if any, in its financial statements.

(f) Litigation

The Seaport 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 the Seaport, 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 program or will not have a material adverse effect upon the financial position of the Seaport.

(g) Federal 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.

(h) Arbitrage Rebate Liability

Federal tax law requires that arbitrage interest earnings be remitted to the federal government, unless the local government qualifies for an exemption. As of September 30, 2006 and 2005, the Seaport has recorded obligations of \$2.2 million and \$2.9 million respectively, of interest earned on bond proceeds invested in taxable securities in excess of interest cost. Arbitrage rebates are payable five years from the date of the bond issuance and each five years thereafter. Out of the \$2.2 million, \$1.8 million is due during the fiscal year 2006 and as a result has classified this amount as a current liability with the remaining \$0.4 million as other liability.

(i) Construction

The Department had contractual commitments of \$91.2 million in construction commitments, which include cruise and cargo improvements and other infrastructure improvements and new construction at September 30, 2006.

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