KPMG

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA

(An Enterprise Fund of Miami-Dade County, Florida)

Financial Statements

September 30, 2006

(With Independent Auditors' Report Thereon)

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA

(An Enterprise Fund of Miami-Dade County, Florida)

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KPMG LLP
Suite 2800
One Biscayne Tower
Two South Biscayne Boulevard
Miami, FL 33131

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 Transit Department (MDT), an enterprise fund of Miami-Dade County, Florida, as of and for the year ended September 30, 2006. These financial statements are the responsibility of the MDT's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 MDT'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 audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the MDT and do not purport to, and do not, present fairly the financial position of Miami-Dade County, Florida, as of September 30, 2006, and the changes in its financial position and where applicable its cash flows, for the year 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 Transit Department, an enterprise fund of Miami-Dade County, Florida, as of September 30, 2006, and the changes in financial position and cash flows thereof for the year 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 MDT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 3 through 12 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 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.

KPMG LLP

March 23, 2007
Certified Public Accountants

Overview

Miami-Dade Transit's (MDT) management's discussion and analysis (MD&A) is designed to (i) assist the reader in focusing on significant financial issues, (ii) provide an overview of MDT's financial activity, (iii) identify changes in MDT's financial position, and (iv) identify individual fund issues or concerns. It serves as an introduction to the financial statements of MDT for the fiscal year ended September 30, 2006. The MD&A represents management's analysis of MDT's financial condition and performance. Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with MDT's financial statements. The financial statements include a statement of net assets; a statement of revenue, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements.

The statement of net assets presents the financial position of MDT 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 changes in the financial position of MDT.

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

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

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

(Continued)

Financial Highlights

Net Assets

A summary of MDT's net assets at September 30, 2006 and 2005 is shown below, as Table 1. Total net assets as of September 30, 2006 were approximately $939 million. During fiscal year 2006, MDT's net assets decreased by approximately $96 million (or 9%). Total long-term liabilities increased by $182 million as a result of additional debt issued in 2006, as well as from a $40 million advance from Miami-Dade County.

Table 1

Miami-Dade Transit

Summary of Net Assets

		Year ended September 30	
Assets		**2006**	**2005**
		(In thousands)	
Total current assets	$	200,015	93,085
Noncurrent assets:			
Other assets		363,658	368,734
Total capital assets		1,398,597	1,355,679
Total noncurrent assets		1,762,255	1,724,413
Total assets		1,962,270	1,817,498
Liabilities			
Total current liabilities		253,920	195,087
Total long-term liabilities		768,977	587,476
Total liabilities		1,022,897	782,563
Net Assets			
Invested in capital assets, net of related debt		1,101,808	1,181,312
Restricted net assets		80,675	25,078
Unrestricted deficit		(243,110)	(171,455)
Total net assets	$	939,373	1,034,935

Cash Deficits

MDT's operating fund ended the 2006 fiscal year with a $36.9 million cash deficit. $2.9 million will be funded by the half penny sales tax; $2.2 million will be funded by current accounts receivables that included: fuel tax refunds, pass sales corporate sales, advertising, leasing or parking facilities and other miscellaneous revenues; $4.1 will be reimbursed from the block grant; $13.5 million will be reimbursed by the CITT for existing loan;

(Continued)

$1.6 million is due to projects that were overspent and will be reimbursed through future Local Option Sales Tax allocations; and the remaining $12.6 million will be reimbursed from MDT's disposal of real property assets and operational savings to be obtained starting in fiscal year 2008. Last year, MDT's operating cash deficit was $64.3 million compared to $36.9 million, a reduction of $27.4 million.

MDT's projects funds ended 2006 with a $112.4 million cash deficit. $64.5 million has been reimbursed and received from Federal and State grantor agencies by December 2006. $3.6 million will be reimbursed by Series 2006 Transit Sales Surtax Revenue Bonds and the remaining $44.3 million will be reimbursed from MDT's disposal of real property assets and operational savings to be obtained starting in fiscal year 2008. Last year, MDT's project funds cash deficit was $63.2 million compared to $112.4 million, an increase of $49.2 million.

The total cash deficit at September 30, 2006 was $149.3 million as compared to $127.5 million at September 30, 2005, or an increase of 17%, and represents the accumulation of expenditures in excess of cash receipts. This deficit is offset by the positive cash balance of $53.3 million as a result of the series 2006 bonds, which was issued to fund PTP projects and the payments of debt service. The net cash deficit also reflects approximately $0.4 million of restricted cash, which represents Federal Transit Administration interest towards future capital purchases. The portion of these deficits expected to be repaid within one year are shown on the financial statements as current liabilities and netted in the due to other Miami-Dade County funds. The remaining portion is reflected as a long-term advance from Miami-Dade County.

(Continued)

A summary of changes in net assets is presented below as table 2.

Table 2

Miami-Dade Transit

Changes in Net Assets

	Fiscal year ended September 30 2006	2005
	(In thousands)	
Operating revenue	$ 100,939	94,737
Operating expenses	503,594	433,620
Depreciation	64,720	62,565
Operating loss	(467,375)	(401,448)
Nonoperating revenue (expenses):		
Governmental subsidies	120,867	121,089
Interest expense	(10,040)	(3,496)
Interest income	2,729	—
Other nonoperating, net	7,752	—
Contributions from Miami-Dade County	132,425	128,047
Contributions from CITT	118,080	118,151
Total nonoperating revenue (expenses)	371,813	363,791
Change in net assets	(95,562)	(37,657)
Net assets, beginning of the year	1,034,935	1,072,592
Net assets, end of the year	$ 939,373	1,034,935

Changes in Net Assets

Total operating revenue increased $6.2 million (or 7%). The increase in revenue in 2006 was due mainly to increased efforts to reduce fare evasion. The operating loss increased $65.9 million (or 16%) due primarily to increased cost of service and additional free programs instituted. In March 2004, Miami Dade Transit instituted the "Be Counted" Program in which Light Duty workers are located at the handicapped gates at the MetroRail Stations. These workers count people who are going through these gates with special passes such as the Golden Passport and the Patriot pass. As a side effect of this program, revenue has increased due to a reduction in fare evasion since the gates are manned, and people are now channeled through the turnstiles.

MDT's total operating expenses also increased from the prior year. The total operating expenses were $503.6 million for fiscal year 2006 as compared to $433.6 million for fiscal year 2005 ($70.0 million or 16% change), not including depreciation expense. As a result of the passage of the half penny sales tax surcharge, MDT continues to hire more bus operators, add new routes and increases services to 24 hours in some routes.

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Total governmental subsidies, and contributions from Miami-Dade County (the County), increased compared to the prior year. The total for fiscal year 2006 was approximately \$371.4 million as compared to approximately \$367.3 million for fiscal year 2005 (\$4.0 million or 1.1% change). The reason for the increase in fiscal year 2006 was primarily due to approximately \$4.4 million from the Contributions from Miami-Dade County related to the General Fund subsidies to MDT.

Subsidies for Operating Assistance

MDT is unable to generate sufficient revenue from operations to meet its operating expenses. Consequently, MDT is dependent on continued funding from the County and the various other governmental entities, which provide financial assistance to continue its operations. The subsidies for assistance for the years ended September 30, 2006 and 2005 are summarized in table 3 below.

Table 3

Miami-Dade Transit

Subsidies for capital and operating assistance for the years ended September 30, 2006 and 2005, were as follows (in thousands):

		2006	2005
Federal:			
FTA assistance	$	82,070	69,394
State:			
FDOT assistance		21,699	34,882
Local:			
Option gas tax		17,098	16,813
Total governmental subsidies		120,867	121,089
Contributions from Miami-Dade County		132,425	128,047
Contributions from CITT		118,080	118,151
Total governmental subsidies and contributions	$	371,372	367,287

The increase in federal assistance is primarily attributed to the South Miami-Dade Busway construction. MDT received notice to proceed with this project from FTA on October 17, 2005. The decrease in the state assistance is due to the receipt of a non-recurring grant in fiscal year 2005 and a recurring grant that has not been awarded in fiscal year 2006.

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Capital Assets

At the end of fiscal year 2006, MDT had approximately $1.4 billion invested in a broad range of capital assets. During fiscal year 2006, MDT placed into service 131 new full-sized buses for a total fleet of approximately 1008 vehicles. MDT's construction in progress consists of costs related to various ongoing projects.

The following table summarizes the composition of MDT's capital assets, net of accumulated depreciation, as of September 30, 2006 and 2005. A more detailed presentation can be found at note 5 to the financial statements.

Table 4

Miami-Dade Transit

Capital Assets

		2006	2005
		(In thousands)	
Land	$	198,167	197,142
Buildings and guideway structures		1,404,425	1,404,391
Transportation and other equipment		577,114	508,243
		2,179,706	2,109,776
Construction in progress		84,712	47,004
Total capital assets		2,264,418	2,156,780
Less accumulated depreciation		(865,821)	(801,101)
Total capital assets, net	$	1,398,597	1,355,679

Debt

The following table summarizes the composition of MDT's debt as of September 30, 2006 and 2005. A more detailed presentation can be found at note 7 to the financial statements.

(Continued)

Table 5

Miami-Dade Transit

Summary of Department's Debt Obligation

		2006	2005	Rates
Surtax Revenue Bonds	$	140,296	—	4.0 – 5.0%
Sunshine State Loans		111,157	120,154	VarMax 5.0%
GE Penske Loan		19,782	21,164	4.8%
County Special Obligation Bonds		30,079	33,921	4.0 – 5.0%
	$	301,314	175,239	

Miami Dade Transit has increased its debt by approximately $126 million in 2006. Debt includes a $100 million Sunshine loan through the State of Florida, which was borrowed to begin construction on the many large capital projects that will be undertaken through the People's Transportation Plan. This debt will be repaid through funding generated by the half penny sales tax.

Miami-Dade County Revenue Bonds Series 2006 – On April 27, 2006, the County issued $140.5 million of Miami-Dade County Transit System Sales Surtax Revenue Bonds Series 2006. The proceeds, including the bond premium, are for the purpose of (1) paying all or a portion of the cost of certain transportation and transit projects, and (2) fund the Reserve Account in an amount equal to the Reserve Account Requirement, and (3) pay the cost of issuance of the Series 2006 bonds including the payment of the premium for a municipal bond insurance policy.

On August 26, 2004, MDT entered into a loan agreement for $22.7 million with Penske Truck Leasing (Penske) to finance the acquisition of 110 buses that were received in 2005. These buses are part of an ongoing relationship with Penske Leasing who currently operates one of the MDT garage facilities.

On September 11, 2002, the County issued Special Obligation Bonds, Series 2002A, of which approximately $25.0 million was allocated to MDT for the purchase of additional full-size buses and small-size buses. MDT has allocated approximately $25 million towards transportation projects and improvements. In addition, the County also issued Special Obligation Bonds, Series 2002, of which approximately $14.0 million was allocated to MDT for various capital improvement projects.

MDT had total outstanding debt of approximately $301.3 million as of September 30, 2006 as compared to $175.2 million as of September 30, 2005. More detailed information about MDT's long-term debt is presented in note 7 to the financial statements.

In fiscal year 1997, the County initiated efforts to enter into three capital lease-in/lease-out arrangements, each commencing at different time periods. At September 30, 2006 and 2005, MDT had cash with fiscal agent and corresponding capital lease/leaseback liability of approximately $387 million and $396 million, respectively, related to these lease transactions. The purpose of the leases was to create additional cash for Miami Dade Transit.

Economic Factors and Next Year's Budget

On November 5, 2002, the voters of Miami-Dade County approved the half penny (½%) sales surtax, proceeds from which will be used to construct rapid transit lines and provide funds for acquisition of additional buses and partially cover MDT's operating and maintenance costs. The scheduled service improvements to be implemented are identified in the People's Transportation Plan (PTP). During fiscal year 2005, the scheduled service improvements included more frequent Metrobus service, and significant milestones were reached in the progress of the planned Metrorail expansions and other capital projects.

Metrobus Improvements – The fleet has increased from 705 to approximately 1,008 buses since the passage of the one-half percent sales tax increase and the implementation of the People's Transportation Plan (PTP). The current fleet is comprised of 821 full-sized buses and 187 mini-buses, and logs 37 million annualized revenue miles, which is an increase of 40% since 2002. Ridership at the end of 2006 is approximately 82.4 million boardings annually, and represents an increase of 30% since 2002. All buses run every 30 minutes or better in the rush hours. Some of our most popular routes run every 15 minutes or better in the height of morning and evening rush hours. There will be 75 new buses placed in service during fiscal year 2007 in replacement of existing buses.

Busway Extension – The current busway now runs from Dadeland South station to SW 264th Street in Naranja. Average weekday boardings exceed 12,500. Segment 2 will run to Southwest 344th Street in Florida City. Construction is ongoing and completion is expected in July 2007, bringing the Busway to 20 miles in length.

Bus Stop Signs and Shelters – More than 7,700 newly designed bus stop signs offer on-site route schedules and maps, including general transit information in three different languages. All 9,000-plus bus stop signs will be installed throughout Miami-Dade County. Additionally, the County has contracted with Cemusa, Inc. to install more than 3,000 modern bus stop shelters throughout the county. Approximately 1,065 new solar powered bus shelters have been installed with more to come in next fiscal year, including a slim line version that will fit in areas with a limited right-of-way.

Rail Service Improvements – Metrorail offers more frequent midday and weekend service. MDT plans to fully refurbish all Metrorail vehicles and replace Metromover vehicles. Twelve new state-of-the-art Metromover cars are being purchased. Improvements will include a sleek new design, state-of-the-art air conditioning systems and a vehicle-monitoring and control system. New Metromover cars will come online in August 2008. The first rehabilitated Metrorail vehicles are expected to come online in 2008, with completion by August 2011.

Regional Trip Planning – The transportation web portal that serves as a gateway to all transportation information in Miami-Dade County (Go.miamidade.gov) is up and running. Links to information from a dozen travel-related agencies, including Metrobus, Metrorail, Tri-Rail and Broward County Transit schedules, online Metropass and Sunpass sales, live traffic updates, flight schedules, cruise times and tourist information. In addition, the County's new 511 system is online. The voice-activated SunGuide public transit travel information service line transfers callers to live transit customer service agents who can provide general transit information and trip planning. The introduction of these services is greatly improving access to the system and demonstrating that taking transit is easier than many may have thought.

Metrorail and Rapid Transit Expansion Projects: Overview – Final Design on the MIC-Earlington Heights Connector is ongoing. The 2.4 mile Metrorail extension from the existing Earlington Heights Metrorail station to the Miami Intermodal Center (MIC). Completion is projected for early 2011. The recently enacted five-year federal transportation bill puts the County in a stronger position to compete for federal matching funds for the remainder of the Orange Line. In addition, the federal government in November 2005 approved $10 million for Metrorail expansion. The North Corridor is in final Planning phases and Preliminary Engineering. The 9.5-mile Metrorail extension will run along NW 27th Avenue from the existing Dr. Martin Luther King, Jr. Metrorail station to NW 215th Street (Broward County Line). If federal funding is obtained, completion is projected in 2014. Estimated cost is $1.37 billion. A Supplemental Draft Environmental Impact Statement is being prepared for the East-West Corridor. The 10.1 mile Metrorail extension will run from the MIC to Florida International University (Tamiami Campus). If federal funds are awarded, completion is projected in 2016. Estimated cost is $2.28 billion.

Metrorail refurbishment and Metromover replacement – MDT plans to fully refurbish all Metrorail vehicles and replace Metromover vehicles. Twelve new state-of-the-art Metromover cars are being purchased. Improvements will include a sleek new design, state-of-the-art air conditioning systems and a vehicle-monitoring and control system. First rehabilitated Metrorail vehicles expected to come online in fiscal year 2007, with completion by August 2011. New Metromover cars will come online in 2008.

Other Projects

Golden Passport – On October 5, 1999, the Golden Passport program was implemented to provide free transit service for low-income seniors. The PTP extended the program to all Miami-Dade seniors and Social Security recipients. Approximately 158,000 seniors and Social Security recipients ride free on transit thanks to the Golden Passport, compared to 55,311 registrants just before the PTP. MDT is the only transit system in the country that provides free round-the-clock transit to seniors, and enrollment is expected to continue to increase.

Patriot Passport – The Patriot Passport provides free transit to honorably discharged veterans making $22,000 or less. There are more than 4,100 Patriot Passport registrants, and enrollment in this program is also expected to continue to increase.

Jobs – The PTP has resulted in more than 1,400 new jobs, from bus operators to mechanics. Three hundred new employees were hired in fiscal year 2005, and more will be hired during this fiscal year. MDT soon will be the county's largest department, with approximately 4,000 employees. Once construction starts on Metrorail extensions, jobs will be plentiful. In accordance with County law, at least 10 percent of the labor force for capital construction projects in disadvantaged areas will come from within the neighborhood.

Smart Card – An Interlocal Agreement is in the approval process to support a future region-wide fare collection and magnetic smart card-based system for seamless fare integration between Miami-Dade Transit, South Florida

(Continued)

Regional Transportation Authority (SFRTA), Broward County Division of Mass Transit (BCT) and Palm Beach County Surface Transportation Department (Palm Tran). Implementation is expected in December 2008. This project will allow for introduction of ridership rewards and better ridership tracking.

College Discount Program – MDT entered into a partnership agreement with Miami Dade College and the University of Miami offering half-price transit passes to students. MDC and UM will assist MDT in promoting transit to their students and will provide Park & Ride spaces on campus. Similar partnerships with other institutions of higher learning are being pursued.

Other Events

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

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

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

Request for Information

Questions concerning this report or requests for additional information should be directed to the Chief Financial Officer, Business Management, Miami-Dade Transit, 111, NW 1st Street, Suite 910, Miami, Florida 33128-1980.

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA
(An Enterprise Fund of Miami-Dade County, Florida)

Statement of Net Assets

September 30, 2006

(In thousands)

Assets

Current assets:	
Cash and cash equivalents	$ 318
Receivables:	
Other Miami-Dade County Funds	2,959
Other	2,208
Materials and supplies inventories	32,634
Prepaid expenses and deposits	2,544
Total current unrestricted assets	40,663
Restricted assets:	
Cash and cash equivalents	68,410
Investments	26,421
Governmental assistance receivables:	
Federal government	59,366
State government	5,100
Local governments	55
Total current restricted assets	159,352
Total current assets	200,015
Noncurrent restricted assets:	
Investments	360,924
Capital assets:	
Land	198,167
Buildings and guideway structures	1,404,425
Transportation and other equipment	577,114
Construction in progress	84,712
Less accumulated depreciation	(865,821)
Total capital assets	1,398,597
Other assets	2,734
Total assets	$ 1,962,270

(Continued)

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA
(An Enterprise Fund of Miami-Dade County, Florida)

Statement of Net Assets

September 30, 2006

(In thousands)

Liabilities and Net Assets

Current liabilities:		
Accounts payable	$	38,903
Accrued expenses		4,716
Accrued vacation and sick pay		11,614
Due to other Miami-Dade County funds		150,570
Deferred benefit		1,572
Other		505
Loans payable		10,959
Bonds payable		5,701
Total payable from unrestricted assets		224,540
Payable from restricted assets:		
Accrued interest payable		2,716
Liability for assets held in trust		243
Capital lease/leaseback liabilities		26,421
Total payable from restricted assets		29,380
Total current liabilities		253,920
Long-term liabilities:		
Accrued vacation and sick pay		20,257
Bonds payable		164,674
Loans payable		119,980
Deferred benefit		17,631
Long-term advances from Miami-Dade County funds		85,511
Total long-term unrestricted liabilities		408,053
Payable from restricted assets:		
Capital lease/leaseback liabilities		360,924
Total long-term liabilities		768,977
Total liabilities		1,022,897
Net assets:		
Invested in capital assets, net of related debt		1,101,808
Restricted net assets for operations		80,675
Unrestricted deficit		(243,110)
Total net assets	$	939,373

See accompanying notes to financial statements.

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA
(An Enterprise Fund of Miami-Dade County, Florida)

Statement of Revenue, Expenses, and Changes in Net Assets

Year ended September 30, 2006

(In thousands)

Operating revenue:	
Passenger fares	$ 89,010
Advertising	4,315
Other	7,614
Total operating revenue	100,939
Operating expenses:	
Labor	221,937
Fringe benefits	70,925
Purchased transportation	55,128
Services	68,931
Fuel and traction power	29,624
Materials and supplies	31,932
Utilities	13,823
Casualty and liability	10,128
Depreciation and amortization expense	64,720
Leases and rentals	1,166
Total operating expenses	568,314
Operating loss	(467,375)
Nonoperating revenue (expenses):	
Governmental subsidies:	
Federal	82,070
State of Florida	21,699
Local Option Gas Tax	17,098
Interest income	2,729
Interest expense	(10,040)
Contributions from CITT	118,080
Contributions from Miami-Dade County	132,425
Other, net	7,752
Total nonoperating revenue (expense)	371,813
Change in net assets	(95,562)
Net assets, beginning of year	1,034,935
Net assets, end of year	$ 939,373

See accompanying notes to financial statements.

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA
(An Enterprise Fund of Miami-Dade County, Florida)

Statement of Cash Flows

Year ended September 30, 2006

(In thousands)

Cash flows from operating activities:	
Cash received from customers	$ 106,736
Cash paid to suppliers	(198,490)
Cash paid to employees for services	(289,760)
Net cash used in operating activities	(381,514)
Cash flows from noncapital financing activities:	
Operating grants and subsidies received	90,596
Cash received from Miami-Dade County	348,763
Net cash provided by noncapital financing activities	439,359
Cash flows from capital and related financing activities:	
Purchases of capital assets	(107,638)
Proceeds from loans and bonds, net of issuance costs	138,832
Principal paid on bonds/loans	(14,445)
Interest paid on bonds/loans	(7,324)
Cash paid for leases and rentals	(11,576)
Net cash used in capital and related financing activities	(2,151)
Cash flows from investing activities:	
Interest received on investments	2,729
Sales of restricted investments	8,638
Net cash provided by investing activities	11,367
Net increase in cash and cash equivalents	67,061
Cash and cash equivalents at beginning of year	1,667
Cash and cash equivalents at end of year	$ 68,728

MIAMI-DADE TRANSIT
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Statement of Cash Flows

Year ended September 30, 2006

(In thousands)

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(467,375)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense		64,720
(Increase) decrease in assets:		
Decrease in receivable		5,797
Increase in materials and supplies inventories		(7,705)
Increase in prepaid expenses and deposits		(1,224)
Increase (decrease) in liabilities:		
Increase in accounts payable		26,729
Decrease in accrued expenses		(5,852)
Increase in accrued vacation and sick pay		3,102
Increase in other liabilities		294
Net cash used in operating activities	$	(381,514)

See accompanying notes to financial statements.

(1) Organization

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

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

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

MDT is unable to generate sufficient revenue from operations to meet its operating expenses. Consequently, MDT is dependent on continued funding from the County and the various governmental entities, which provide financial assistance to continue its operations (see note 10).

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting and Financial Reporting*

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

Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, gave the option of accepting Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements or not following FASB standards issued after such date. MDT elected not to apply FASB statements and interpretations issued after such date.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting periods. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, MDT considers amounts in demand deposits, as well as short-term investments (including restricted assets), with an original maturity of 90 days or less from the date acquired to be cash equivalents.

(d) Investments and Investment Income

Investments are made in accordance with the provisions of Chapter 125.31(1) and 218.415, Florida Statutes and County Ordinance 84-47, *Investment and Reinvestment of Surplus Funds.* Unrestricted investments are reported at fair value and unrealized gains and losses due to variations in fair value are taken into income for the year. Restricted investments (held by fiscal agent) are reported at fair value or for any debt security for which MDT has the positive intent and ability to hold until maturity, are carried at amortized cost. Unrestricted investment income is reported as nonoperating income when earned.

(e) Restricted Assets

Assets designated by grant terms for capital acquisitions and assets held to pay capital leases are classified in the accompanying financial statements as restricted assets.

(f) Application of Restricted and Unrestricted Assets

MDT'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) Materials and Supplies Inventories

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

(Continued)

(h) Capital Assets

Capital assets are recorded at cost. Expenses for maintenance, repairs and minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as capital additions. Depreciation is provided on the straight-line method over the estimated useful life of the respective assets. The major categories of transportation property in service and their estimated useful lives are as follows:

Buildings and guideway structures	40 – 50 years
Transportation and other equipment	3 – 30 years

(i) Net Asset Classification

Invested in capital assets, net of related debt – consist of capital assets including capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or loans that are attributable to the acquisition, construction or improvements of those assets.

(j) Deferred Benefit

Deferred benefit represents the initial benefit received as a result of MDT's three capital lease/lease back transactions. The benefits are amortized against deferred benefit over the life of each of the respective leases.

(k) Pension Plan

MDT 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 MDT. The provisions of the Bulletin pertaining to other post employment benefits (OPEB) transactions will be applied simultaneously with the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The impact of the adoption has not been estimated.

(l) Compensated Absences

MDT accounts for compensated absences by accruing a liability for employees' compensation of future absences according to the guidelines set by GASB Statement No. 16, *Accounting for Compensated Absences*. MDT policy permits employees to accumulate unused vacation and sick pay benefits that will be paid to them upon separation from service. MDT recognizes a liability and expense in the period vacation and sick pay benefits are earned. As of September 30, 2006, compensated absences were approximately $31.9 million.

(m) ***Subsidies and Grants***

Subsidies and grants for operating assistance are recorded as nonoperating income in the statement of revenue, expenses, and changes in net assets in the accounting period in which all eligibility requirements are met.

Grants received as reimbursements for specific purposes are recognized when the expenditure is incurred. Grants earned but not received are recorded as governmental assistance receivables in the accompanying financial statements. Grants received but not earned are recorded as deferred revenue in the accompanying financial statements.

(n) ***Revenue Classifications***

MDT defines operating revenue as those revenue and expenses that arise from transportation operations and other charges such as advertising. Nonoperating revenue includes government grants and subsidies from the County, and interest income and expense.

(3) Implementation of New Accounting Standards

During fiscal year 2006, MDT has adopted the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement states that impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government should be measured using the method that best reflects the diminished service utility of the capital asset. Impairment of capital assets due to enactment or approval of laws or regulations or other changes in environmental or technological factors, should be measured based on a service units approach. The adoption of this statement did not have an impact on the financial statements, including required disclosures, of MDT.

During fiscal year 2006, MDT has adopted the provisions of GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. A legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The adoption of this statement did not have an impact on the financial statements, including required disclosures, of MDT.

(4) Cash, Cash Equivalents, and Investments

The County pools substantially all cash and investments, except for separate cash and investment accounts which are maintained under legal restrictions. MDT's equity share of the total pooled cash and investments is included on the accompanying statement of net assets under the restricted caption "Cash and Cash Equivalents."

The carrying amounts of MDT's local deposits were $318 thousand as of September 30, 2006. All cash deposits are held in qualified public depositories pursuant to State of Florida Statutes Chapter 280, "Florida Security for Public Deposits Act" (the 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 depositories' collateral pledging level. The pledging level may range from 50% to 125% depending upon a 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, and sale of securities pledged as collateral and, if necessary, as assessments against other qualified public depositories of the same type as the depository in default.

Investments are made in accordance with the provisions of Chapter 125.31 (1) Florida Statutes, and County Ordinance 84-47, Investments and Reinvestment of Surplus Fund. The County is authorized to invest in obligations of the U.S. government, its agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, certificates of deposit, and the Local Government Surplus Funds Trust Fund. The County's investments are insured or registered or for which the securities are held by the County or its agent in the County's name.

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.

Investments held in escrow and structured to meet future lease obligations under the capital lease/leaseback transactions have been recorded in restricted investments on the accompanying statement of net assets.

The following is a summary of MDT's pooled cash and investments at September 30, 2006:

		Fair value
U.S. government and agency securities	$	34,021
Commercial paper		27,480
SBA Pool		6,909
Total	$	68,410

(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 banks, 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 provision 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

(Continued)

investment company or investment rust 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 full 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 form the dated 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 this policy.

The table below summarizes the investments by type and credit ratings as of September 30, 2006.

Investment type	Credit rating
Federal Home Loan Mortgage Corporation	AAA
Federal Home Loan Bank	AAA
Federal Farm Credit Banks	AAA
Fannie Mae	AAA
Freddie Mac	AAA
SBA	AAA
Time Deposits	N/A
Treasury Notes	N/A
Commercial Paper	N/A
	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. As of 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 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.

As of September 30, 2006, the following issuers held 5% or more of the investment portfolio:

Issuer	% of Portfolio
Federal Home Loan Bank	13.46%
Federal Home Loan Mortage Corporation	16.03
Fannie Mae	16.65

(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.

As of September 30, 2006, the County had the following investments with the respective weighted average maturity in years.

Investment type	Weighted average in years
Federal Home Loan Mortgage Corporation	0.77
Federal Home Loan Bank	0.86
Federal Farm Credit Banks	0.49
Fannie Mae	1.37
Freddie Mac	0.53
Time Deposits	0.23
Treasury Notes	N/A
Commercial Paper	0.07

(e) ***Foreign Currency Risk***

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

(5) Capital Assets

Capital asset activity and changes in accumulated depreciation for the year ended September 30, 2006 were as follows:

	Balance September 30, 2005	Additions and transfers	Deletions and transfers	Balance September 30, 2006
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 197,142	1,025	—	198,167
Construction in progress	47,004	60,704	22,996	84,712
Total capital assets, not being depreciated	244,146	61,729	22,996	282,879
Capital assets, being depreciated:				
Buildings and guideway	1,404,391	34	—	1,404,425
Transportation and other equipment	508,243	68,871	—	577,114
Total capital assets, being depreciated	1,912,634	68,905	—	1,981,539
Less accumulated depreciation for:				
Buildings and guideway structures	(500,630)	(49,059)	—	(549,689)
Transportation and other equipment	(300,471)	(15,661)	—	(316,132)
Total accumulated depreciation	(801,101)	(64,720)	—	(865,821)
Total capital assets, being depreciated, net	1,111,533	4,185	—	1,115,718
Total capital assets	$ 1,355,679	65,914	22,996	1,398,597

(6) Finance Obligations Under Capital Lease/Leaseback

	Total at September 30, 2005	Additions	Reductions/ adjustments	Total at September 30, 2006	Due within one year
Capital lease/leaseback	$ 395,983	—	(8,638)	387,345	26,421
Total capital lease/leaseback	$ 395,983	—	(8,638)	387,345	26,421

(Continued)

MDT has entered into lease transactions in which assets are leased to investors (headlease) and simultaneously leased back (sublease). At inception of the lease the investors prepaid the headlease obligation and MDT invested amounts necessary to satisfy its sublease payment obligations. Under these transactions, MDT maintains the right to continued use and control of the assets through the end of the leases and is required to insure and maintain the assets. The following table summarizes MDT capital lease/leaseback transactions as of the respective transaction date (dollars in thousands):

Lease date	Property		Prepayment received on head lease	Amount invested to satisfy sublease obligation	MDT's cash benefit
5/22/97	134 Light rail cars	$	95,996	87,933	8,063
12/23/98	Maintenance facilities		133,120	120,935	12,185
8/14/02	Qualified technical equipment		238,640	228,605	10,035

The net present value of the future sublease payments has been recorded as a long-term liability in the accompanying statement of net assets. Investments held in escrow and structured to meet future obligations under the lease have been recorded in restricted investments on the accompanying statement of net assets. The benefits from these transactions net of transaction costs have been recorded as deferred revenue in the statement of net assets and are amortized over the lease term. The unamortized portion of the initial benefit (deferred benefit) at September 30, 2006 was $19,203,000.

The following schedule shows MDT's future minimum payments under sublease as of September 30, 2006:

		Minimum sublease payments
Year ending September 30:		
2007	$	26,421
2008		24,073
2009		24,985
2010		24,477
2011		26,621
2012 – 2016		174,603
2017 – 2021		257,821
Total minimum sublease payments		559,001
Less amount representing interest		(171,656)
Present value of minimum sublease payments	$	387,345

(7) Long-Term Debt

Long-term debt includes loans and bonds payable which have been issued or approved by the County for the acquisition of transit buses and construction of facilities. Changes in long-term debt are as follows:

		Total at September 30, 2005	Additions	Reductions	Total at September 30, 2006	Due within one year
Loans payable	$	141,318	—	(10,379)	130,939	10,959
Bonds payable		33,921	140,520	(4,066)	170,375	5,701
Total long-term debt	$	175,239	140,520	(14,445)	301,314	16,660

General covenants, along with debt service requirements, are as follows:

Miami-Dade County Revenue Bonds Series 2006 – On April 27, 2006, the County issued $140.5 million of Miami-Dade County Transit System Sales Surtax Revenue Bonds Series 2006 (the Series 2006 Revenue Bonds). The proceeds of $140.5 million, including the bond premium, are for the purpose of (1) paying all or a portion of the cost of certain transportation and transit projects, and (2) fund the Reserve Account in an amount equal to the Reserve Account Requirement, and (3) pay the cost of issuance of the Series 2006 bonds including the payment of the premium for a municipal bond insurance policy.

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Sunshine State Governmental Financing Commission Loan (2001) – In August 2001, the County obtained a loan in the amount of $49.0 million, of which $34.0 million was allocated to MDT for the purchase of approximately 75 full-size buses and 85 small-size buses.

The loan is secured by the County's covenant to budget and appropriate in the annual budget sufficient funds from legally available non-ad valorem revenues to satisfy the debt service requirements on the loan. The loan is structured at an initial true interest cost not to exceed 5% with a ten year maturity schedule, which coincides with the estimated life of the assets being financed.

Sunshine State Governmental Financing Commission Loan (2004) – In September 2004, the County obtained a loan in the amount of $100 million, all of which was allocated to MDT for the purchase of 167 full-size buses and 34 small-size buses.

Miami-Dade County Capital Asset Acquisition Bond Series 2002A – In September 2002, the County issued Special Obligation Bonds, series 2002A, of which $25 million was allocated to MDT for the purchase of additional full-size buses and small-size buses.

Miami-Dade County Capital Asset Acquisition Bond Series 2002 – In September 2002, the County also issued Special Obligation Bonds, Series 2002, of which approximately $14.0 million was allocated to MDT for various capital improvement projects.

Under the Bond Ordinance, the County has covenanted and agreed to annually budget and appropriate in its annual budget, by amendment, if required and to the extent permitted and in accordance with budgetary procedures provided by the laws of the State of Florida, and to pay when due directly into the appropriate fund or account created in the Bond Ordinance or to the Bond Insurer, as the case may be, sufficient amounts of legally available non-ad valorem revenues or other legally available funds sufficient to satisfy the debt service requirements on the bonds as the same become due and payable.

The following table summarizes MDT's debt outstanding as of September 30, 2006 and 2005.

Description	Rate	Amount issued	Maturity date	Outstanding 9/30/2006
2006 Surtax Revenue Bonds	4.0 – 5.0%	$ 134,233	7/1/2036	$ 134,232
Plus unamortized premium				6,064
Less current portion				(2,041)
Bonds payable on Series 2006				138,255
2002 Capital Asset Bonds – Transit buses	5.0%	25,030	4/1/2013	18,455
Plus unamortized premium				726
Less current portion				(2,355)
Subordinate debt payable on Series 2002A				16,826
2002 Capital Asset Bonds – Other Transit equipment	4.0 – 5.0%	13,970	4/1/2013	10,410
Plus unamortized premium				488
Less current portion				(1,305)
Subordinate debt payable on Series 2002B				9,593
Sunshine State Loan	4.5%	34,000	10/1/2011	22,162
Less current portion				(3,299)
Sunshine State Loan payable				18,863
Sunshine State Loan	VarMax 5.0%	63,975	7/1/2019	57,690
Sunshine State Loan		36,025	7/1/2016	31,305
Less current portion				(6,080)
Sunshine State Loan payable				82,915
GE Penske Loan	4.8%	22,707	9/1/2016	19,782
Less current portion				(1,580)
GE Penske Loan payable				18,202
Total long-term portion of debt and loans outstanding at September 30, 2006				$ 284,654

Debt Service Requirements – MDT's debt service requirements to maturity for the loan and bonds, net of the current portion at September 30, 2006 are as follows (in thousands):

Transit System Sales Surtax Revenue Bonds, Series 2006 $140.5 million

Maturing in fiscal year		Principal	Interest	Total
2007	$	2,041	6,631	8,672
2008		2,141	6,529	8,670
2009		2,250	6,422	8,672
2010		2,362	6,309	8,671
2011		2,480	6,191	8,671
2012 – 2016		14,389	28,966	43,355
2017 – 2021		18,216	25,136	43,352
2022 – 2026		23,213	20,143	43,356
2027 – 2031		29,509	13,844	43,353
2032 – 2035		37,631	5,724	43,355
Total		134,232	125,895	260,127
Current portion		(2,041)	(1,179)	(3,220)
Unamortized premium/discount, net		6,064	—	6,064
Total long-term debt	$	138,255	124,716	262,971

Special Obligation Bonds-Series 2002A Capital Asset Bond Series 02A $25 million

Maturing in fiscal year		Principal	Interest	Total
2007	$	2,355	795	3,150
2008		2,420	732	3,152
2009		2,510	641	3,151
2010		2,590	559	3,149
2011		2,720	429	3,149
2012 – 2014		5,860	443	6,303
Total		18,455	3,599	22,054
Current portion		(2,355)	(861)	(3,216)
Plus unamortized bond premium		726	—	726
Total long-term debt	$	16,826	2,738	19,564

Special Obligation Bonds-Series 2002 Capital Asset Bond Series 02A $14.0 million

Maturing in fiscal year		Principal	Interest	Total
2007	$	1,305	490	1,795
2008		1,340	456	1,796
2009		1,405	388	1,793
2010		1,475	318	1,793
2011		1,550	244	1,794
2012 – 2014		3,335	252	3,587
Total		10,410	2,148	12,558
Current portion		(1,305)	(552)	(1,857)
Plus unamortized bond premium		488		488
Total long-term debt	$	9,593	1,596	11,189

Sunshine State Governmental Financing Commission Loan $34 million

Maturing in fiscal year		Principal	Interest	Total
2007	$	3,299	836	4,135
2008		3,449	712	4,161
2009		3,605	581	4,186
2010		3,764	446	4,210
2011		3,934	304	4,238
2012		4,111	155	4,266
Total		22,162	3,034	25,196
Current portion		(3,299)	(790)	(4,089)
Total long-term debt	$	18,863	2,244	21,107

Sunshine State Governmental Financing Commission Loan $100 million

Maturing in fiscal year		Principal	Interest	Total
2007	$	6,080	3,334	9,414
2008		6,320	3,106	9,426
2009		6,570	2,869	9,439
2010		6,840	2,623	9,463
2011		7,110	2,367	9,477
2012 – 2016		40,045	7,621	47,666
2017 – 2021		16,030	1,216	17,246
Total		88,995	23,136	112,131
Current portion		(6,080)	(3,131)	(9,211)
Total long-term debt	$	82,915	20,005	102,920

On August 26, 2004, MDT entered into an agreement with the Penske Truck Leasing (Penske) for the purchase of buses. Penske deposited $22.7 million with an escrow agent. As of September 30, 2004, MDT had not submitted a request for expenditure; thus, the entire amount of $22.7 million is included in long term investments held to pay capital lease/leaseback liabilities and loans payable.

Penske/GE Equipment Loan $22.7 million

Maturing in fiscal year		Principal	Interest	Total
2007	$	1,580	915	2,495
2008		1,657	838	2,495
2009		1,738	756	2,494
2010		1,824	671	2,495
2011		1,913	581	2,494
2012 – 2016		11,070	1,403	12,473
Total		19,782	5,164	24,946
Current portion		(1,580)	—	(1,580)
Total long-term debt	$	18,202	5,164	23,366

(8) Other Long-Term Liabilities

Other long-term liability activity for the year ended September 30, 2006, was as follows (in thousands):

		September 30, 2005	Additions	Reductions	September 30, 2006	Amounts due within one year
Accrued vacations and sick pay	$	28,769	6,204	(3,102)	31,871	11,614
Deferred revenue		20,775	—	(1,572)	19,203	1,572
Total long-term liabilities	$	49,544	6,204	(4,674)	51,074	13,186

(9) Risk Management

The County's risk management division (the RMD) administers property, workers' compensation, and general and automobile liability self-insurance programs. MDT, along with other County departments, participates in the County's self-insurance programs.

MDT's self-insurance programs for automobile liability and its Metrobus, Metrorail, and Metromover systems are also administered by the RMD. MDT also pays premiums to independent insurance carriers for insurance as discussed below. Under *Florida Statutes*, liability may be limited to $200,000 per occurrence in certain instances.

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 $725 million per occurrence. Insurance coverage is maintained with independent carriers for property losses in excess of self-insured retentions. During fiscal year 2006, there was no property damage claims at MDT that exceed the commercial coverage.

The County maintains no excess coverage with independent insurance carriers for 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 year ended September 30, 2006, MDT paid approximately $1.4 million in premiums. At September 30, 2006, MDT had no outstanding payable to the RMD for self-insurance premiums.

The estimated liability for reported and unreported claims of the self-insurance programs administered by the 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 is 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 MDT. This amount was $22.8 million in fiscal year

2006. At September 30, 2006, the total current estimated liability for self-insurance claims of MDT was approximately $11.4 million and is included in due to other Miami-Dade County funds.

(10) Governmental Operating Subsidies and Contributions

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

Subsidies for capital and operating assistance for the year ended September 30, 2006, were as follows (in thousands):

Federal:		
FTA assistance	$	82,070
State:		
FDOT assistance		21,699
Local:		
Option gas tax		17,098
Total governmental subsidies		120,867
Contributions from Miami-Dade County		132,425
Contributions from CITT		118,080
Total governmental subsidies and contributions	$	371,372

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

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

(11) Purchased Transportation Services

MDT has contracts with private carriers for various transit services through 2009. Two contracts with a consortium of local taxi companies provided ambulatory and nonambulatory demand response service for elderly and handicapped persons. Total expenses under these contracts amounted to approximately $45.3 million in 2006. In addition, MDT has other contracts with local and national bus carriers to provide fixed route bus services. The total expense under these contracts amounted to approximately $55.1 million in 2006 and is included in Purchased Transportation.

(12) Pension Costs

Defined Benefit Pension Plan

MDT, as a County department, participates in the Florida Retirement System (FRS or the System), a cost-sharing, multi-employer public employees retirement system, which covers substantially all of the County's full-time and part-time employees. The System was created in 1970 by consolidating several employee retirement systems. 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 System is administered by the Florida State Board of Administration, under the guidelines and rules of the Florida Legislature.

Most employees are vested with 6 years of service and upon reaching age 62, or with completion of 30 years of service. Employees who meet these requirements are entitled to a retirement benefit payable monthly for life equal to 1.6% – 3.0%, depending on their service class, of their average final compensation for each year of credited service. Final average compensation is the employee's average of the five highest fiscal years of salary earned during credited service. Vested employees may retire before age 62 and receive benefits that are reduced 5% for each year prior to normal retirement age or date. The System also provides death and disability benefits. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, *Florida Administrative Code.*

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 where the contribution amount is fixed by a set percentage determined by law and the contribution is made to an individual account in each participant's name. With a defined contribution plan, in which the monthly contribution rate is fixed, the final benefit will be the total account value (contributions plus investment earning less expenses and losses) distributed during retirement.

The payroll for MDT employees covered by the System for the year ended September 30, 2006 was approximately $222 million. The MDT's total payroll for the year ended September 30, 2006 was approximately $292 million.

Pension costs made, required and defined by the System, ranged between 9.85% and 20.92% of gross salaries for the year ended September 30, 2006. Pension costs for MDT for the years ended September 30, 2006, 2005, and 2004, as required and defined by the System, were approximately $17.9 million, $15.3 million, and $11.4 million, respectively, equal to the required contributions for each year. MDT's actuarially determined contribution requirements for fiscal year 2006, 2005, and 2004 represented less than 1% of the total contributions required of all of the System's participating agencies.

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 e-mail at rep@dms.myflorida.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.

Deferred Compensation Plan

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

In accordance with the provisions of Section 457, the assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The County has given fiduciary responsibility to an external third party, and as such, the assets and income of the Plan are not reported in the County's Comprehensive Annual Financial Report nor the accompanying financial statements.

(13) Related-Party Transactions

Various departments within the County provide goods, administrative services, 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 MDT by other County departments, which are included in services expense in the accompanying statement of revenue and expenses and changes in net assets, amounted to approximately $9.1 million for the year ended September 30, 2006.

The County has committed to provide funding to MDT to meet its operating obligations. During the current year, the County advanced approximately $40 million and is included in the statement of net assets as a long-term advance from Miami-Dade County, which is not expected to be repaid within one year.

As a component of the County, the Citizens' Independent Transportation Trust (CITT) is the 15-member independent body created to oversee the People's Transportation Plan (PTP) funded with the half-percent sales surtax (Surtax). The Miami-Dade County Board of County Commissioners approved a general fund support to MDT at the pre-Surtax level of $123.7 million and an annual increase of 3.5%. Additionally, the CITT approved a loan for up to $150 million in Surtax funds to support MDT services in existence as of November 5, 2005. The current repayment schedule only envisions the need to access $118.9 million as a result of the exclusion of $23.9 million of FY 2001 – 2002 shortfall existing prior to the passage of the

Surtax. This shortfall will be covered by the Miami-Dade County General Fund and is recorded as a long-term advance.

As of September 30, 2006, the outstanding loan balance due to CITT was approximately $47.8 million and is included in the Statement of Net Assets as a long-term advance from Miami-Dade County. The current portion of the advance is included in Due to Other Miami-Dade County Funds.

Maturing in fiscal year		Principal	Interest	Total
2007	$	2,297	1,434	3,731
2008		2,453	1,363	3,816
2009		2,335	1,290	3,625
2010		2,655	1,220	3,875
2011		3,311	1,140	4,451
2012 – 2017		34,757	3,608	38,365
	$	47,808	10,055	57,863

(14) Commitments and Contingencies

(a) Federal Awards and State Grants

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

(b) Litigation

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

(c) Contracts and Commitments

Contracts and commitments relating to bus maintenance projects and other construction projects approximated $90.1 million at September 30, 2006. Funding will be provided by local sources.