McGladrey & Pullen
Certified Public Accountants

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

Financial Report
09.30.2008

MIAMI-DADE TRANSIT DEPARTMENT
MIAMI-DADE COUNTY, FLORIDA

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

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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 Transit Department (MDT), an enterprise fund of Miami-Dade County, Florida, as of and for the year ended September 30, 2008 as listed in the table of contents. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, an enterprise fund of Miami-Dade County. These financial statements do not purport to, and do not, present fairly the financial position of Miami-Dade County, Florida, as of September 30, 2008, and the changes in its financial position and where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2008, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, MDT adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions, as of October 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated March 3, 2009 on our consideration of MDT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted accounting principles in the United States of America. 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.

McGladrey & Pullen, LLP

Miami-Dade County, Florida
March 3, 2009

MIAMI-DADE TRANSIT DEPARTMENT
MIAMI-DADE COUNTY, FLORIDA

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

Management's Discussion and Analysis

September 30, 2008

(Unaudited)

Overview

Miami-Dade County Transit Department'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, and (iii) identify changes in MDT's financial position. It serves as an introduction to the financial statements of MDT for the fiscal year ended September 30, 2008. 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.

MIAMI-DADE TRANSIT DEPARTMENT
MIAMI-DADE COUNTY, FLORIDA

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

Management's Discussion and Analysis

September 30, 2008

(Unaudited)

Financial Highlights

Net Assets

A summary of MDT's net assets at September 30, 2008 and 2007 is shown below, as Table 1. Net assets may serve over time as a useful indicator of MDT's financial position. MDT's total net assets as of September 30, 2008 were approximately $826 million. During fiscal year 2008, MDT's net assets decreased by approximately $90 million (or 10%). Total long-term liabilities increased by $105 million as a result of additional borrowings from Citizens' Independent Transportation Trust (CITT) to support MDT services in existence as of November 5, 2002 and issuance of new debt, series 2008 bonds.

Table 1

Summary of Net Assets

	September 30,	
Assets	**2008**	**2007**
	(In thousands)	
Total current assets	$ 98,739	142,595
Noncurrent assets:		
Restricted assets and other assets	381,715	353,838
Total capital assets	1,451,635	1,420,821
Total noncurrent assets	1,833,350	1,774,659
Total assets	1,932,089	1,917,254
Liabilities		
Total current liabilities	187,648	225,725
Total long-term liabilities	918,370	775,781
Total liabilities	1,106,018	1,001,506
Net Assets		
Invested in capital assets, net of related debt	997,859	1,060,914
Restricted net assets	—	15,559
Unrestricted deficit	(171,788)	(160,725)
Total net assets	$ 826,071	915,748

Cash Deficits

MDT's operating fund ended the 2008 fiscal year with a $74.8 million cash deficit, which is classified as Due to Other County Funds in the accompanying Statement of Net Assets. $2 million will be funded by current accounts receivables that included: fuel tax refunds, pass sales, corporate sales and other miscellaneous revenues; $11 million will be reimbursed from the block grant; $6.7 will be reimbursed by the CITT for Golden Passport

and Movers; and the remaining $55.1 million will be reimbursed from MDT's disposal of real property assets such as sales of land and operational savings to be obtained starting in fiscal year 2009. Last year, MDT's operating cash deficit was $57.2 million compared to $74.8 million, an increase of $17.6 million.

MDT's projects funds ended 2008 with a $53.6 million cash deficit, which is classified as Due to Other County Funds in the accompanying Statement of Net Assets. $10.9 million will be reimbursed from Federal and State grantor agencies and the remaining $42.7 million will be reimbursed from MDT's disposal of real property assets, operational savings to be obtained starting in fiscal year 2008. Last year, MDT's project funds cash deficit was $71.1 million compared to $53.6 million, a reduction of $17.5 million.

The total cash deficit at September 30, 2008 was $128.4 million as compared to $128.3 million at September 30, 2007. This deficit excludes cash balance of $55.6 million which represents the unspent proceeds of the series 2008 bonds, which was issued to fund Peoples' Transportation Plan (PTP) projects and the payment of debt service. 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 in the amount of $56.4 million. The remaining portion is reflected as a long-term advance from Miami-Dade County in the amount of $72 million. Due to the limited revenues available to MDT, operating expenses will continue to be adjusted to match the revenue level going forward. MDT continues to be dependent on funding from the County and various governmental entities.

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

Table 2

Changes in Net Assets

	Fiscal years ended September 30	
	2008	2007
	(In thousands)	
Operating revenue	$ 97,560	106,387
Operating expenses	510,249	485,593
Depreciation	71,940	65,544
Operating loss	(484,629)	(444,750)
Nonoperating revenue (expenses):		
Governmental subsidies	40,411	68,005
Interest expense	(13,272)	(14,227)
Interest income	1,427	1,957
Other nonoperating, net	8,169	4,553
Total nonoperating revenue (expenses), net	36,735	60,288
Loss before contributions and transfers	(447,894)	(384,462)
Capital contributions from CITT	15,898	44,150
Capital contributions from Federal and State of Florida	95,118	69,466
Transfers from OCED	1,078	—
Transfers from Miami-Dade County	140,964	138,773
Transfers from CITT	105,159	108,448
Total capital contributions and transfers	358,217	360,837
Change in net assets	(89,677)	(23,625)
Net assets, beginning of the year	915,748	939,373
Net assets, end of the year	$ 826,071	915,748

Changes in Net Assets

Total operating revenue decreased by $8.8 million (or 8%), and operating expenses increased by 24.6 million (or 5%), which resulted in an overall increase in the operating loss of $39 million. The decrease in operating revenue is mainly due to reductions in Medicaid revenue. The Medicaid contract expired in December 2007. In addition, MDT has continued to see declining passenger revenue. Management believes that there is revenue leakage from fare evasion and took steps to reduce this loss of revenue by implementing the new smart card fare collection systems which will be installed by summer 2009. The operating loss increase is due primarily to increased cost of service.

MDT's total operating expenses increased from the prior year. The total operating expenses were $510.2 million for fiscal year 2008 as compared to $485.6 million for fiscal year 2007, not including depreciation expense. The increase reflects the combined effect of increases in some components partially offset by decreases in others. In addition, other components that significantly increased are attributed to charges for county service, fuel and casualty and liability of approximately $23.0 million.

Total governmental subsidies, and contributions from Miami-Dade County (the County), decreased compared to the prior year. The total for fiscal year 2008 was approximately $397.5 million as compared to approximately $428.8 million for fiscal year 2007 ($31.3 million or 7% change). The reason for the decrease in fiscal year 2008 was primarily due to approximately $31 million reductions of revenue from the Citizens' Independent Transportation Trust (CITT) for People's Transportation Trust funds related to the half penny sales surtax.

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' assistance for the years ended September 30, 2008 and 2007 are summarized in table 3 below.

Table 3

Subsidies for capital and operating assistance for the years ended September 30, 2008 and 2007, were as follows (in thousands):

		2008	2007
Federal:			
FTA assistance	$	83,481	84,960
State:			
FDOT assistance		35,346	35,182
Local:			
Option gas tax		16,702	17,329
Total governmental subsidies		135,529	137,471
Total capital contributions and transfers from Miami-Dade County		140,964	138,773
Total capital contributions and transfers from CITT		121,057	152,598
Total governmental subsidies and contributions	$	397,550	428,842

Capital Assets

At the end of fiscal year 2008, MDT had approximately $1.4 billion invested in a broad range of capital assets. During fiscal year 2008, MDT placed into service 35 new full-sized buses for a total fleet of approximately 1,000 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, 2008 and 2007. A more detailed presentation can be found at Note 4 to the financial statements.

Table 4

Capital Assets

		2008	2007
		(In thousands)	
Land	$	226,349	202,639
Buildings and guideway structures		1,404,510	1,404,484
Transportation and other equipment		624,471	616,280
		2,255,330	2,223,403
Construction in progress		173,749	128,783
Total capital assets		2,429,079	2,352,186
Less accumulated depreciation		(977,444)	(931,365)
Total capital assets, net	$	1,451,635	1,420,821

Debt

The following table summarizes the composition of MDT's debt as of September 30, 2008 and 2007. A more detailed presentation can be found at note 6 to the financial statements.

Table 5

Summary of Debt Obligation

		2008	2007	Rates
Surtax Revenue Bonds	$	363,260	137,715	4.0 – 5.0%
Sunshine State Loans		15,414	101,779	VarMax 5.0%
GE Penske Loan		16,545	18,202	4.8%
County Special Obligation Bonds		22,277	26,129	4.0 – 5.0%
	$	417,496	283,825	

Miami Dade Transit has increased its debt by approximately $133.7 million in 2008. Debt includes a $100 million Sunshine loan through the State of Florida, which was borrowed for the purpose of purchasing new buses and certain infrastructure development. This debt was refinanced as part of the series 2008 bonds.

Miami-Dade County Revenue Bonds Series 2008 – On June 28, 2008, the County issued $274.5 million of Miami-Dade County Transit System Sales Surtax Revenue Bonds Series 2008. 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) currently refund the outstanding Sunshine State Loan, and (3) pay the cost of issuance of the Series 2008 bonds including the payment of the premium for a bond insurance policy and a municipal bond debt service reserve insurance policy.

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 2008 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 $417.5 million as of September 30, 2008 as compared to $283.8 million as of September 30, 2007. 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, 2008 and 2007, MDT had cash with fiscal agent and corresponding capital lease/leaseback liability of approximately $336.8 million and $375.3 million, respectively, related to these lease transactions. The purpose of the leases was to create additional cash for Miami Dade Transit.

MDT ended the fiscal year 2002 with $23.9 million more in expenditures than it received in revenues. Consequently, MDT entered into a long-term loan agreement with the County in the amount of $23.9 million. MDT is required to pay back this loan over a five-year period by obtaining savings through recurring efficiencies and land sales.

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.

The one-half cent sales surtax provides a dedicated funding source for transportation improvements. When combined with federal, state, and other local funding, it will enable the largest expansion of transit services and transportation-related infrastructure in the County's history. The PTP calls for doubling the Metrorail line over the next decade, expanding bus service where needed, replacing and overhauling the Metromover and Metrorail fleets, pursuing transportation-related technological improvements and significant roadway improvement projects including at least two new major arterial flyovers. The PTP also supports operations for expanded transit services. The first series of surtax-backed bonds used to finance PTP projects were issued in April 2006. In addition, new surtax bonds were issued in fiscal year 2008.

Metrobus Improvements – Miami-Dade Transit (MDT) has continued the constant monitoring and analysis of bus service through the Comprehensive Bus Operations Analysis in order to optimize resources, eliminate routes that are not meeting established minimum ridership levels, and shift resources to boost service on routes that have experienced overcrowding. MDT recently implemented a successful preventive maintenance program to quickly identify and address mechanical problems in both bus and rail services before they result in costly breakdowns.

As of June 2008, bus service adjustments of approximately 6.3 million revenue miles of new service will have been added since the November 2002 base of 26.3 million revenue miles. MDT will continue to focus on meeting service standards throughout bus operations that will increase operational efficiency. Additionally, as a result of funding gaps based on fuel price increases and infrastructure replacement initiatives, the base revenue miles will have to be reduced 4.5 million revenue miles to 21.8 million from 26.3 million bringing the total miles to 28.1 million. The recently implemented Preventive Maintenance Program will further improve efficiency and the quality of service, while the adoption of the Easy Card automated fare collection system will increase passenger payment convenience and fare recovery.

Eight Metrobus routes now provide overnight service and six of these routes operate 24-hours a day. At total of 27 new routes have been added since November 2002 and over 300 improvements have been made to more than 100 routes. The overall bus fleet has growth from 705 buses in 2002 to nearly 1000 buses in May 2008 comprised of 772 full size buses and 187 minibuses. The Federal Transit Administration (FTA) will provide 100 percent funding of 16 additional 60-foot hybrid buses to run express service on the new I-95 managed Lanes between downtown Miami and Fort-Lauderdale, to be implemented in phases beginning in 2008 and to be completed in 2010.

Busway Extension – MDT opened the final 6.5-mile segment of Phase II of the South Dade Busway in December 2007. At 20 miles in length, it is now the longest Bus Rapid Transit (BRT) line in the United States, stretching from the Dadeland South Metrorail station to its southern terminus at SE 344th Street in Florida City. By using the BRT, South Miami-Dade residents avoid congestion on US-1 and get to work faster. Additionally, Park and

Ride facilities opened at SW 200th Street and SW 296th Street and another Park & Ride facility is being planned at SE 344th Street to be opened in FY 2010-2011. Future Park and Ride facilities in the planning stage include NW 186 Street and 73rd Avenue, Kendall and SW 127th Avenue, and an extension to the existing surface parking lot at the Dadeland South Metrorail Station.

As part of Miami-Dade County's efforts to fight global warming, MDT, in conjunction with West Virginia University, is testing the use of different types of biodiesel fuels in its buses. In the near term, MDT plans to begin using a blend of biodiesel and petroleum-based diesel in its buses. In order to ensure no negative impact on service, MDT will begin with a 5 percent biodiesel blend and gradually increase the percentage of biodiesel to 20 percent sometime in 2009. Switching to a 20 percent biodiesel blend will reduce MDT's use of fossil fuels by about 2.4 million gallons per year at current service levels.

Bus Stop Signs and Shelters – As of May 2008, more than 9,000 bus stops feature new bus stop signs, which primarily replaced previous signs containing limited route information. The new signs have information panels that offer maps and up-to-date information on each route serving a particular bus stop. In addition, as of May 2008, more than 900 (on target) bus shelters have been installed. All the shelters, which utilize solar energy, including large sandblasted-glass panels that shield passengers from outside elements such as rain. Each shelter contains a large transit map that outlines all MDT bus routes and the Metrorail alignment, and provides transit riders with customer-service telephone numbers as well as the department's website address to obtain trip-planning and other transit related information.

MetroRail Service Improvements – Metrorail offers more frequent mid-day and weekend service. Metrorail on-time performance has improved to 97 percent from 85 percent and a more aggressive schedule of inspections, cleaning and repairs has greatly improved the environment for passengers. The centerpiece of the PTP is the Orange Line, which calls for adding between 22 and 25 miles of rail to the existing Metrorail system. The most recent schedule for the development of three phases of the project – which will extend Metrorail to the Broward County line as well as to the Miami Intermodal Center (MIC) and Florida International University's University Park Campus.

Metrorail and Rapid Transit Expansion Projects: Overview – MIC-Earlington Heights Connector- The project is a 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 estimated project cost is $526.5 million ($100 million from state commitment). The final design has been completed and a notice to proceed on some utility relocation work was issued and the work is currently under way. The project is currently in contractor selection process and right-of-way acquisition is currently under way.

Replacement of Existing Rail Cars – The Department plans to replace the existing 136 Metrorail vehicles beginning in FY 2010-11 at a rate of 72 rail cars per year until FY 2015-16 at a cost of $401.5 million. This would provide new vehicles that have a 30 year life.

MetroMover Service Improvements - MDT is purchasing twelve (12) new Metromover vehicles at a cost of $33.4 million to replace Phase I cars that have completed their 20-year life cycle. The first new vehicle was delivered on April 30, 2008 and placed on the Metromover test track for a month of testing before beginning service in June. The remaining 11 vehicles are slated to enter service by September 2008. They will replace Metromovers original 12 vehicles which went into service when the system opened in April 1986. The new cars feature a sleek

look with sloped front ends; a sturdier build to withstand Miami's subtropical environment; a state-of-the-art air conditioning system designed to prevent water condensation and reduce breakdowns; and a self-diagnostic system to troubleshoot mechanical issues. The remaining Phase II (17 cars) have been refurbished with new air conditioning systems, windows and new vinyl floors to replace carpeting. The Phase II facelift's total cost is estimated at $4.06 million.

Automated Fare Collection System (AFCS) – The Automated Fare Collection System will meet MDT's needs for present and future fare collection on Metrobus and Metrorail. The scope of this project is to procure service proven state-of-the-art fare collection equipment that meet specific requirements. The AFCS is to support a smart card-based system for seamless fare integration for transit and potentially, other local transportation agencies within South Florida. Cash, credit and debit cards will be used to purchase a variety of tickets from ticket vending machines, ticket office machines and point of sale locations. The AFCS is projected to be implemented during FY 08-09. The new Easy Card will also significantly reduce fare evasion, which is expected to increase Transit bus fare box and rail fare gate revenue.

Regional Trip Planning – The 511 system focused on making public transit more easily accessible for users across three counties, using the service of four transit agencies (Miami-Dade Transit, Broward County Transit, Palm Tran and Tri-Rail). As a result of reduced budgets and increased costs, MDT and its partner agencies will no longer be part of the 511 system effective November 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 194,147 seniors and Social Security recipients ride free on transit 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 5,708 Patriot Passport registrants, and enrollment in this program is also expected to continue to increase. There are 2,327 Patriot Passport holders that have renewed since June 2008. This passport is valid through June 2009 and renewal is ongoing.

College Discount Program – Miami-Dade Transit's College/Adult Education Metropass program affords students with the opportunity to purchase a monthly Metropass at reduced fare ($42.50). Last year the program generated approximately $2.0 million in annual sales for fiscal year 2007-08. The program is aggressively marketed to students through local partnership that allow MDT staff to conduct on-campus outreach and sign ups, distribute MDT literature from information desks, announce the program during student orientation, and posting signs at point-of-sale. MDT also promotes the program through radio ads, the university website, e-mail communications with students, publicity in the student newspapers and other special promotions.

These partnerships with institutions of higher learning promote public transportation and increase fare revenues to the system, while providing students with reduced fares. Similar partnerships with other educational institutions of higher learning are being pursued.

The Adopted Budget for fiscal year 2008 – The adopted budget totals $438.6 million consisting of net expenditure authority in the operating fund ($388.3 million), net non-capital grant fund expenditures ($20.3 million) and debt services fund expenditures ($30 million); total positions are reduced by 156 from 3,876 to 3,720. The fiscal year 2008 operating plan departs significantly from prior years since the passage of the PTP to responsibly target resources focused on higher quality services.

The Countywide General Fund Maintenance of Effort (MOE) is expected to be $136.6 million, a 3.5 percent increase above fiscal year 2008 MOE of $131.9 million as adopted in the PTP amendment in May of fiscal year 2005. As a result of the County's MOE, state operating support for MDT is programmed at $16.99 million in the FY 2007-08 Adopted Budget, which is consistent with the Florida Department of Transportation (FDOT) Five-Year Work Plan; $666,000 will be received from the South Florida Regional Transportation Authority for Tri-Rail feeder support; other state support includes Transportation Disadvantaged funding ($7.313 million). In addition, MDT will utilize $43.457 million of federal Section 5307 Formula grant funds, $15.325 million of federal Section 5309 Fixed Guideway Modernization grant funds, and $14.581 million of Capital Improvement Local Option Gas Tax to support the capitalization of major preventive maintenance expenses in the operating budget.

In fiscal year 2008, the Countywide General Fund support to MDT included $5.8 million to comply with the required annual increase of 3.5% over the amount provided in the preceding fiscal year. The annual increase of 3.5% in the Countywide General Fund is one of the amendments to PTP to comply with the requirements of the line of credit from CITT for up to $150 million in surtax funds to support MDT's services in existence as of November 5, 2002. Amendments to the PTP were approved by the Board of County Commissioners through the Resolution R-120-05 adopted on June 28, 2005.

During fiscal year 2008, programmed surtax support for MDT operations is expected to be $111.3 million and includes $62.3 million for bus services, $14.6 million for rail services, $11.4 million for Golden Passport support, $1.5 million to offset lost Metromover faregate revenue, and $14.3 million for Special Transportation Services (STS) support. Additionally, for impacts directly related to supporting the People's Transportation Plan, $1.3 million is required for personnel services in the Department of Human Resources, $400 thousand for procurement support, $1.4 million for technology support, and $4.2 million for facility rent and the operation of satellite information centers. Surtax support through an internal loan of $26.3 million is utilized for supporting operating expenses of the system ($17.1 million) and debt service payments incurred prior to fiscal year 2003 for buses and equipment ($9.2 million); $20.8 million of surtax funding support debt service for buses, bus capital inventory such as replacement engines, and MDT major capital projects including design and construction of rail corridors as well as capital projects amended into the PTP.

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 PTP to restore the General Fund support 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 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.

In fiscal year 2008, the Board accepted the PTP Pro Forma updated. An updated revised payment schedule was presented with a new borrowing requirement for up to the Line of Credit of $150 million.

On February 7, 2007, the project for building an extension of the existing Metrorail system to the north (North Corridor) received a "medium" rating from the Federal Transit Administration; the project received a $228 million commitment from the state to fund this amount over a 5-year period. This represents the 25% from the state commitment needed to move ahead with the project. MDT received a Record of Decision (ROD) for the North Corridor on April 27, 2007.

Request for Information

Questions concerning this report or requests for additional information should be directed to the Controller, Miami-Dade Transit, 701, NW 1st Court, 13th Floor, Miami, Florida 33136.

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

Statement of Net Assets

September 30, 2008

(In thousands)

Assets

Current assets:	
Cash and cash equivalents	$ 317
Receivables:	
Miami-Dade County - CITT	6,660
Other	345
Governmental assistance receivables:	
Federal government	3,746
State government	18,787
Local governments	870
Materials and supplies inventories	39,327
Prepaid expenses and deposits	2,020
Total current unrestricted assets	72,072
Restricted assets:	
Cash and cash equivalents	316
Investments	26,351
Total current restricted assets	26,667
Total current assets	98,739
Noncurrent restricted assets:	
Cash and cash equivalents	64,654
Investments	310,440
Total non-current restricted assets	375,094
Capital assets:	
Land	226,349
Buildings and guideway structures	1,404,510
Transportation and other equipment	624,471
Construction in progress	173,749
Accumulated depreciation	(977,444)
Total capital assets	1,451,635
Other assets	6,621
Total assets	1,932,089

(Continued)

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

Statement of Net Assets

September 30, 2008

(In thousands)

Liabilities and Net Assets

Current liabilities:		
Accounts payable	$	30,133
Accrued expenses		6,784
Accrued vacation and sick pay		13,087
Due to other County Funds		83,779
Due to other Governments		427
Loans payable to CITT		4,947
Deferred benefit		1,236
Deferred revenues		1,002
Loans payable		5,343
Bonds payable		9,043
Accrued interest payable		5,200
Total payable from unrestricted assets		160,981
Current liabilities payable from restricted assets:		
Deposits Payable		316
Capital lease/leaseback liabilities		26,351
Total payable from restricted assets		26,667
Total current liabilities		187,648
Long-term liabilities:		
Accrued vacation and sick pay		22,976
OPEB obligation		1,870
Bonds payable, net		376,494
Loans payable		26,616
Deferred benefit		10,566
Due to other County Funds		72,000
Loans payable to CITT		97,408
Total long-term unrestricted liabilities		607,930
Payable from restricted assets:		
Capital lease/leaseback liabilities		310,440
Total long-term liabilities		918,370
Total liabilities		1,106,018
Net assets:		
Invested in capital assets, net of related debt		997,859
Unrestricted deficit		(171,788)
Total net assets	$	826,071

See accompanying notes to financial statements.

(Continued)

MIAMI-DADE TRANSIT DEPARTMENT
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, 2008

(In thousands)

Operating revenue:	
Passenger fares	$ 89,174
Advertising	4,257
Special Transportation - Co-payment	4,129
Total operating revenue	97,560
Operating expenses:	
Labor	220,589
Fringe benefits	73,548
Purchased transportation	49,921
Services	62,488
Fuel and traction power	40,790
Materials and supplies	36,383
Utilities	12,249
Casualty and liability	10,010
Depreciation expense	71,940
Leases and rentals	4,271
Total operating expenses	582,189
Operating loss	(484,629)
Nonoperating revenue (expenses):	
Governmental grants & subsidies:	
Federal	978
State of Florida	22,731
Local Option Gas Tax	16,702
Interest income	1,427
Rental income	1,883
Interest expense	(13,272)
Other, net	6,286
Total nonoperating revenue (expense), net	36,735
Loss before contributions and transfers	(447,894)
Capital contributions from CITT	15,898
Capital contributions from Federal and State of Florida	95,118
Transfers from CITT	105,159
Transfers from Miami-Dade County	140,964
Transfers from OCED	1,078
Total capital contributions and transfers	358,217
Change in net assets	(89,677)
Net assets, beginning of year	915,748
Net assets, end of year	$ 826,071

See accompanying notes to financial statements.

(Continued)

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

Statement of Cash Flows

Year ended September 30, 2008

(In thousands)

Cash flows from operating activities:	
Cash received from customers	$ 98,384
Cash paid to suppliers	(223,605)
Cash paid to employees for services	(289,727)
Net cash used in operating activities	(414,948)
Cash flows from noncapital financing activities:	
Governmental grants and subsidies received	54,940
Cash received from Miami-Dade County and other funds for transfers	247,201
Cash received from Miami-Dade County and other funds for advances and loans	16,863
Net cash provided by noncapital financing activities	319,004
Cash flows from capital and related financing activities:	
Acquisition and Construction of Capital Assets	(101,803)
Proceeds from sale of capital assets	2,626
Proceeds from bonds & loans, net of issuance costs	222,915
Principal paid on bonds/loans	(93,922)
Interest paid on bonds/loans	(14,270)
Cash paid for leases and rentals	(35,577)
Cash received for leases	38,535
Cash received from CITT for capital contributions	15,898
Cash received from Federal and State of Florida for capital contributions	109,527
Net cash provided by capital and related financing activities	143,929
Cash flows from investing activities:	
Interest received on investments	1,427
Net cash provided by investing activities	1,427
Net Increase in cash and cash equivalents	49,412
Cash and cash equivalents at beginning of year	15,875
Cash and cash equivalents at end of year	$ 65,287

(Continued)

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

Statement of Cash Flows

Year ended September 30, 2008

(In thousands)

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(484,629)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		71,940
(Increase) decrease in operating assets:		
Decrease in other receivables		824
Increase in materials and supplies inventories		(2,947)
Decrease in prepaid expenses and deposits		186
Increase (decrease) in operating liabilities:		
Decrease in accounts payable		(6,471)
Increase in accrued vacation & sick pay, accrued expenses and OPEB obligation		5,877
Increase in other liabilities		272
Net cash used in operating activities	$	(414,948)
Supplemental disclosures of noncash Capital & related Financing Activities:		
Amortization of deferred issuance cost	$	794

See accompanying notes to financial statements.

(Continued)

(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) identified specific projects and roadway improvements that are 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 MDT and are not intended to present fairly the financial position of the County and the results of its operations and where applicable, cash flows thereof, in conformity with 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

Cash includes cash on hand, amounts in demand deposits, and positions in investment pools that can be deposited or withdrawn without notice or penalty. 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 three months or less from the date acquired to be cash equivalents.

(d) Investments and Investment Income

Restricted investments held by fiscal agent consist of Guaranteed Investment Contracts (GICs) which are non-participating contracts and are reported at cost which does not significantly differ from the fair value as affected by the impairment of the credit standing of the issuer or by any other factors. Investment income is reported as nonoperating revenue 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 Resources

MDT's policy when both restricted and unrestricted resources are available to be used for a certain purpose is to use restricted resources first, 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.

(h) Capital Assets

Capital assets are recorded at cost. Expenses for maintenance, repairs and minor renewals and betterments are expensed as incurred. Capital assets are defined as those assets with an initial, individual cost of over $1,000.

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) Deferred Benefit

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

(j) 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.

(k) Postemployment Benefits Other Than Pensions

The Governmental Accounting Standards Board issued Statement 45 (GASB 45) for other post-employment benefits (OPEB), which requires that the County accrue the cost of the County's retired health subsidy and OPEB during the period of employees' active employment as the benefits are being earned. MDT contributes to the plan to provide postretirement medical and dental coverage to retirees as well as their eligible spouses and dependents. To be eligible to receive retiree medical and dental benefits, participants must be eligible for retirement benefits under the Florida System (FRS) and pay required contributions.

Funding Policy – The County contributes to both the pre-65 and post-65 retiree medical coverage. Retirees pay the full cost of dental coverage. Medical contributions vary based on plan and tier. For pre-65 retirees, the County explicitly contributed an average of 21% of the cost for the AvMed POS plan, 41% for the AvMed HMO High and AvMed HMO Low plans in fiscal year 2008. The JMH HMO plans receive no explicit contribution. However, it is the County's policy that after fiscal year 2008 its per capita contribution for retiree health care benefits will remain at the 2008 dollar level.

The pre-65 retirees also receive an implicit subsidy from the County since they are underwritten with the active employees. The implicit contribution is approximately 5% of the cost.

The postretirement medical and dental benefits are currently funded on a pay-as-you go basis (i.e., Miami-Dade County funds on a cash basis as benefits are paid). No assets have been segregated and restricted to provide postretirement benefits.

Annual OPEB Cost and Net OPEB Obligation - MDT's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

MDT's annual OPEB cost for the fiscal year 2008, the first year of implementation of GASB Statement 45, and the related information for each plan are as follows (dollars in thousands):

Annual required contribution	$ 2,892
Interest on net OPEB obligation	-
Adjustment on annual required contribution	-
Annual OPEB cost	2,892
Contributions made	(1,022)
Increase in net OPEB obligation	1,870
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	$ 1,870

MDT's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2008	$2,892	35.3%	$1,870

Funded Status and Funding Progress – The schedule below shows the balance of the County's actuarial accrued liability (AAL), all of which was unfunded as of September 30, 2008 (dollar amounts in thousands).

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAA (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UALL as % of Covered Payroll ([b-a]/c)
10/1/2007	$0	$242,331	$242,331	0%	$1,483,072	16%

The Transit percentage of the County's AAL is 16% which is approximately $38,772.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions by the County are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Projections of benefits are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between MDT and the plan members to that point. Actuarial calculations reflect a long-term prospective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial cost method used in the valuation to determine the Actuarial Accrued Liability (AAL) and the Actuarial Required Contribution (ARC) was the Projected Unit Credit Method with service prorated. Under this method, the total present value of benefits is determined by projecting the benefit to be paid after the expected retirement date (or other event) and discounting those amounts to the valuation date. The normal cost is computed by dividing the total present value of benefits by the participant's total service (actual plus expected service) at retirement. The AAL under this method represents the total present value of benefits multiplied by the ratio of the participant's actual service to date and divided by expected service at retirement. The AAL for participants currently receiving payments and deferred vested participants is calculated as the actuarial present value of future benefits expected to be paid. No normal cost for these participants is payable. The AAL and normal costs were calculated at the measurement date, which is the beginning of the applicable fiscal year using standard actuarial techniques.

The following summarizes other significant methods and assumptions used in valuing the AAL and benefits under the plan.

Actuarial valuation date	01/01/2006
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Actuarial assumptions:	
Discount rate	4.75%
Payroll growth assumption	3.00%
Healthcare cost trend rates	10% initial to 5.25% ultimate
Mortality table	RP 2000

Further, the valuation assumes that the County will continue to fund the liability on a pay-as-you-go basis and that the County's policy is that its per-capita contributions for retiree benefits will remain as the 2008 level. As a result, the retiree contributions will be increased to the extent necessary so that they are sufficient to provide for the difference between the gross costs and the fixed County contributions.

(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, 2008, compensated absences were approximately $36.1 million.

(m) Subsidies and Grants

Subsidies and grants for operating assistance are recorded as nonoperating revenue 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) Other Assets

Other assets consist of bond issuance costs which are deferred and amortized over the life of the bonds using the straight-line method.

(o) Unearned Revenue

Unearned revenue consists of grants received, but for which MDT has not met all eligibility requirements imposed by grantors; and sale of passes in advance for which the service is to be rendered in the next fiscal year.

(p) Operating and nonoperating items

MDT defines operating revenue as those revenue and expenses that arise from transportation operations such as passenger fares and special transportation fees and other charges such as advertising. Operating revenues are recorded as earned while operating expenses are recorded as incurred. Nonoperating revenue includes government grants and subsidies from the County, and interest income and expense.

(3) 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 in the accompanying Statement of Net Assets under the restricted caption "Cash and cash equivalents." The carrying amounts of MDT's cash on hand were $317 thousand, non-pooled cash held by the County in an escrow account in the amount of $9 million, and restricted pooled cash, cash equivalents and investments with the County was approximately $56 million, which represents less than 1% of the County's pooled cash, cash equivalent and investments as of September 30, 2008. (See the County's Comprehensive Annual Financial Report for disclosures relating to its interest rate risk, credit risk, custodial credit risk and concentration of credit risk).

MDT's Guaranteed Investment Contracts (GICs) are not subject to custodial credit risk and interest rate risk. The GICs are all with one issuer and are not rated by a nationally recognized rating agency. The value of the GICs as of September 30, 2008 were $336.8 million and represents restricted investments that are held for the satisfaction of MDT's capital lease/leaseback obligations (See Note 5).

(4) Capital Assets

Capital asset activity and changes in accumulated depreciation for the year ended September 30, 2008 were as follows:

	Balance September 30, 2007	Additions and transfers	Deletions and transfers	Balance September 30, 2008
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 202,639	26,202	2,492	226,349
Construction in progress	128,783	103,047	58,081	173,749
Total capital assets, not being depreciated	331,422	129,249	60,573	400,098
Capital assets, being depreciated:				
Buildings and guideway	1,404,484	26	—	1,404,510
Transportation and other equipment	616,280	34,383	26,192	624,471
Total capital assets, being depreciated	2,020,764	34,409	26,192	2,028,981
Less accumulated depreciation for:				
Buildings and guideway structures	(580,303)	(35,112)	—	(615,415)
Transportation and other equipment	(351,062)	(36,828)	25,861	(362,029)
Total accumulated depreciation	(931,365)	(71,940)	25,861	(977,444)
Total capital assets, being depreciated, net	1,089,399	(37,531)	52,053	1,051,537
Total capital assets	$ 1,420,821	91,718	112,626	1,451,635

(5) Finance Obligations Under Capital Lease/Leaseback (dollars in thousands)

	Total at September 30, 2007	Reductions/ adjustments	Total at September 30, 2008	Due within one year
Capital lease/leaseback	$ 375,326	(38,535)	336,791	26,351
Total capital lease/leaseback	$ 375,326	(38,535)	336,791	26,351

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 Initial 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, 2008 was $11.8 million. The acquisition costs and accumulated depreciation on the capital lease/leaseback at September 30, 2008 were approximately $428 million and $285 million, respectively.

On April 7, 2008, MDT and Equity Trust entered into an early buyout and amendment agreement on the 134 rail cars lease agreement whereby the County and MDT exercised its purchase option and paid the purchase option price. In the purchase option, the County and MDT assume all of the obligations of Lessor and headlessee thereby terminating the 1997 agreement. Upon the execution of the early buyout, all equity collateral was automatically released from the lien of the pledge and security agreement and the obligations of the Custodian (MDT) under the custody agreement were automatically terminated.

The balance in the Investment account and Capital lease payable of $36,521,487 were closed and the remaining unamortized upfront benefit of $4,591,578 was fully amortized to income. In addition, the purchase option provided for the County to receive $200,000 as termination fee.

The following schedule shows MDT's future minimum payments under sublease as of September 30, 2008 (dollars in thousands):

		Minimum sublease payments
Year ending September 30:		
2009	$	26,351
2010		26,495
2011		26,519
2012		26,584
2013		62,186
2014 – 2018		308,049
Total minimum sublease payments		476,184
Amount representing interest		(139,393)
Present value of minimum sublease payments	$	336,791

(6) Long-Term Debt

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

		Total at September 30, 2007	Additions	Reductions	Total at September 30, 2008	Due within one year
Loans payable	$	119,980	—	(88,021)	31,959	5,343
Bonds payable		163,844	227,632	(5,939)	385,537	9,043
Total long-term debt	$	283,824	227,632	(93,960)	417,496	14,386

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

Miami-Dade County Revenue Bonds Series 2008– On June 24, 2008, the County issued $224.1 million of Miami-Dade County Transit System Sales Surtax Revenue Bonds Series 2008 (the Series 2008 Revenue Bonds). The proceeds of $227 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) currently refund the outstanding 2004 Sunshine State Loan of $82.9 million, and (3) pay the cost of issuance of the Series 2008 bonds including the payment of the premiums for a bond insurance policy and a municipal bond debt service reserve insurance policy.

The reacquisition price exceeded the net carrying value of the old debt by approximately $500 thousand. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This refunding was undertaken to increase the total debt service payments to $109.5 million over the next 30 years, and resulted in an economic loss of $6 million.

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.

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 2002B – 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.

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

The following table summarizes MDT's debt outstanding as of September 30, 2008 (dollars in thousands):

Description	Rate	Amount issued	Maturity date	Outstanding 9/30/2008
Transit System Sales Surtax Revenue Bonds, Series 2006	4.0 – 5.0%	$ 134,233	7/1/2036	$ 130,050
Plus unamortized premium				5,579
Less current portion		—		(2,250)
Bonds payable on Series 2006				133,379
Special Obligation Bonds-Capital Asset Bonds, Series 02A Transit buses	5.0%	25,030	4/1/2013	13,680
Plus unamortized premium				485
Less current portion				(2,510)
Subordinate debt payable on Series 2002A				11,655
Special Obligation Bonds-Capital Asset Bonds, Series 02A Transit equipment	4.0 – 5.0%	13,970	4/1/2013	7,765
Plus unamortized premium				347
Less current portion				(1,405)
Subordinate debt payable on Series 2002B				6,707
Transit System Sales Surtax Revenue Bonds, Series 2008	5.0%	224,130	7/1/2038	224,130
Plus unamortized premium				3,501
Less current portion				(2,878)
Bonds payable on Series 2008				224,753
Sunshine State Governmental Financing Commission Loan	4.5%	34,000	10/1/2011	15,414
Less current portion				(3,605)
Sunshine State Loan payable				11,809
Penske/GE Equipment Loan	4.8%	22,707	9/1/2016	16,545
Less current portion				(1,738)
GE Penske Loan payable				14,807
Total long-term portion of debt and loans outstanding at September 30, 2008				$ 403,110

Debt Service Requirements – MDT's debt service requirements to maturity for the loan and bonds, at September 30, 2008 are as follows (dollars in thousands):

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

Maturing in fiscal year		Principal	Interest	Total
2009	$	2,250	6,422	8,672
2010		2,362	6,309	8,671
2011		2,480	6,191	8,671
2012		2,603	6,067	8,670
2013		2,736	5,937	8,673
2014 – 2018		15,829	27,525	43,354
2019 – 2023		20,048	23,303	43,351
2024 – 2028		25,563	17,790	43,353
2029 – 2033		32,509	10,849	43,358
2034 – 2036		23,670	2,343	26,013
Total		130,050	112,736	242,786
Current portion		(2,250)	(6,422)	(8,672)
Unamortized premium/discount, net		5,579	—	5,579
Total	$	133,379	106,314	239,693

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

Maturing in fiscal year		Principal	Interest	Total
2009	$	2,510	641	3,151
2010		2,590	559	3,149
2011		2,720	429	3,149
2012		2,860	293	3,153
2013		3,000	150	3,150
Total		13,680	2,072	15,752
Current portion		(2,510)	(641)	(3,151)
Unamortized bond premium		485	—	485
Total	$	11,655	1,431	13,086

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

Maturing in fiscal year		Principal	Interest	Total
2009	$	1,405	388	1,793
2010		1,475	318	1,793
2011		1,550	244	1,794
2012		1,625	167	1,792
2013		1,710	85	1,795
Total		7,765	1,202	8,967
Current portion		(1,405)	(388)	(1,793)
Unamortized bond premium		347	—	347
Total	$	6,707	814	7,521

Transit System Sales Surtax Revenue Bonds, Series 2008 $227.6 million

Maturing in fiscal year		Principal	Interest	Total
2009	$	2,878	11,365	14,243
2010		3,241	11,004	14,245
2011		3,400	10,842	14,242
2012		3,571	10,672	14,243
2013		3,747	10,494	14,241
2014 – 2018		21,751	49,463	71,214
2019 – 2023		27,762	43,453	71,215
2024 – 2028		35,411	35,802	71,213
2029 – 2033		44,914	26,296	71,210
2034 – 2038		77,455	13,422	90,877
Total		224,130	222,813	446,943
Current portion		(2,878)	(11,365)	(14,243)
Unamortized premium/discount, net		3,501	—	3,501
Total	$	224,753	211,448	436,201

Sunshine State Governmental Financing Commission Loan $34 million

Maturing in fiscal year		Principal	Interest	Total
2009	$	3,605	694	4,299
2010		3,764	531	4,295
2011		3,934	362	4,296
2012		4,111	185	4,296
Total		15,414	1,772	17,186
Current portion		(3,605)	(694)	(4,299)
Total	$	11,809	1,078	12,887

Penske/GE Equipment Loan $22.7 million

Maturing in fiscal year		Principal	Interest	Total
2009	$	1,738	756	2,494
2010		1,824	671	2,495
2011		1,913	581	2,494
2012		2,007	488	2,495
2013		2,106	389	2,495
2014 – 2016		6,957	527	7,484
Total		16,545	3,412	19,957
Current portion		(1,738)	(756)	(2,494)
Total	$	14,807	2,656	17,463

(7) Other Long-Term Liabilities

Other long-term liability activity for the year ended September 30, 2008, was as follows (in thousands):

		September 30, 2007	Additions	Reductions	September 30, 2008	Amounts due within one year
Accrued vacations and sick pay	$	33,523	21,989	(19,449)	36,063	13,087
Net OPEB Obligation		—	1,870	—	1,870	—
Deferred benefit		17,631	—	(5,829)	11,802	1,236
Total other long-term liabilities	$	51,154	23,859	(25,278)	49,735	14,323

(8) Risk Management

The County's Risk Management Division (RMD) of the General Services Department administers property, workers' compensation, and general and automobile liability self-insurance programs in accordance with Florida Statutes 440 and 768.28. These statutes limit claims to $100,000 per person and $200,000 per occurrence without specific act of the Florida Legislature in the form of a claim bill.

MDT, along with other County departments, are charged an insurance premium by RMD which covers MDT for automobile liability and its Metrobus, Metrorail, and Metromover systems. 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.

MDT also maintains a Commercial General Liability policy as required under a sublease agreement for five specific properties (i.e. Dadeland North Parking facility, Central Division, Coral Way Division, Northeast Division and Medley Division). The policy is an Owner, Landlords & Tenants (OL&T) policy with limits of $1 million per occurrence, $2 million aggregate.

Property insurance coverage is provided for real and personal property of MDT under the County's Master Property Insurance Program. The limit of coverage under the program is $350 million (inclusive of deductibles/Self-Insured Retention). The All Other Perils (AOP) deductible is $5 million. For named windstorm peril the Self-Insured Retention (SIR) is $200 million per occurrence Countywide.

The estimated liability for reported and unreported claims of the self-insurance programs administered by the RMD is determined annually based on 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. For the years ended September 30, 2008 and 2007, the total premiums charged by RMD to MDT were approximately $6.8 million and $7.8 million, respectively. This is included in the Due to Other County Funds.

(9) 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, 2008, were as follows (in thousands):

Federal:		
FTA assistance	$	83,481
State:		
FDOT assistance		35,346
Local:		
Option gas tax		16,702
Total governmental subsidies		135,529
Total capital contributions and transfers from Miami-Dade County		140,964
Total capital contributions and transfers from CITT		121,057
Total governmental subsidies and contributions	$	397,550

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.

(10) 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. In addition, MDT has other contracts with local and national bus carriers to provide fixed route bus services. The total gross expense under these contracts amounted to approximately $49.9 million in fiscal 2008.

(11) 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, 2008 was approximately $221 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, 2008. Pension costs for MDT for the years ended September 30, 2008, 2007, and 2006, as required and defined by the System, were approximately $21.2 million, $21.2 million, and $17.9 million, respectively, equal to the required contributions for each year. MDT's actuarially determined contribution requirements for fiscal year 2008, 2007, and 2005 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.

(12) 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 $10.2 million for the year ended September 30, 2008.

The County has committed to provide funding to MDT to meet its operating obligations. As of September 30, 2008, Due to Other County Fund balance of $156 million consists of MDT's negative position in the County's unrestricted pooled cash, cash equivalents and investments of $128.4 million, long-term advances from the County of $18.2 million, insurance premium payable to Risk Management Division of $7 million and deposit payable to Office Community Economic Development of $2.4 million. Of the balance of $156 million, MDT expects to repay $84 million to the County within one year which is presented as a current liability in the Statement of Net Assets as Due to Other County Funds. The remaining amount of $72 million is presented as a long-term liability in the Statement of Net Assets as Due to Other County Funds.

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 use the entire line of credit of $150 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, 2008, the outstanding loan balance due to CITT was approximately $102.3 million. The long-term portion of $97.4 million is included in the Statement of Net Assets long-term liabilities as a Due to CITT – loans payable. The current portion of the advance in the amount of $4.9 million is included in the Statement of Net Assets current liabilities as a Due to CITT- loans payable.

Changes in Due to CITT are as follows:

	September 30, 2007	Additions	Reductions	September 30, 2008	Due within one year
Due to CITT	79,513	26,309	(3,467)	102,355	4,947
Total Due to CITT	$ 79,513	26,309	(3,467)	102,355	4,947

MDT's debt service requirements to maturity for the Due to CITT are as follows:

Maturing in fiscal year	Principal	Interest	Total
2009	$ 4,947	3,262	8,209
2010	7,178	3,120	10,298
2011	9,195	3,503	12,698
2012	11,988	3,235	15,223
2013	15,802	2,077	17,879
2014	19,065	1,603	20,668
2015 – 2017	34,180	1,385	35,565
	$ 102,355	18,185	120,540

(13) 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 $90.9 million at September 30, 2008. Funding will be provided by local sources.