

FINANCIAL SECTION

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KPMG LLP
Suite 2000
200 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 Seaport Department (the Seaport), an enterprise fund of Miami-Dade County, Florida, as of and for the years ended September 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Seaport's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Seaport's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Seaport and do not purport to, and do not, present fairly the financial position of Miami-Dade County, Florida, as of September 30, 2008 and 2007, and the changes in its financial position and, where applicable, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Miami-Dade County Seaport Department, an enterprise fund of Miami-Dade County, Florida, as of September 30, 2008 and 2007, and the changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2009 on our consideration of the Seaport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 20 through 26 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.

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

As discussed in note 11, during the year ended September 30, 2008, the Seaport adopted the provisions of the Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*.

KPMG LLP

March 18, 2009
Certified Public Accountants



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

The following narrative provides an overview of the Miami-Dade County Seaport Department's (the "Seaport") financial activities for the fiscal years ended September 30, 2008 and 2007. The MD&A represents management's analysis of the Seaport's financial condition, performance, long-term debt, and economic factors. The MD&A should be read in conjunction with the financial information of the transmittal letter in the introductory section, the financial statements, the accompanying notes and the statistical section. The financial statements consist of the statements of net assets; the statements of revenues, expenses, and changes in fund net assets; the statements of cash flows; and the notes.

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

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

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

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

Financial analysis of the Seaport Department

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

The difference between the Seaport's assets and liabilities is its net assets. The Seaport's net assets are summarized, in **Table I** below. Net assets may be used to assess the financial position of the Seaport. Total Seaport net assets as of September 30, 2008 were \$208.1 million, comprising of approximately \$204.2 million in invested in capital assets net of related debt; approximately \$19.1 million in restricted for debt service and a deficit unrestricted net assets of (\$15.2) million. Total Seaport net assets as of September 30, 2007 were \$206.4 million, comprising of approximately \$191.5 million in invested in capital assets net of related debt; approximately \$21.3 million in restricted for debt service and a deficit unrestricted net assets of (\$6.4) million. Total Seaport net assets as of September 30, 2006 were \$210.5 million. Of this amount, approximately \$183.1 million was invested in capital assets net of related debt; approximately \$24.0 million was restricted for debt service and the balance of \$3.4 million was unrestricted and available to meet ongoing operations of the Seaport.

During Fiscal Year 2007-08, the Seaport funded approximately \$15 million in capital expenses, from its operating fund. The funding of these expenses contributed to the deficit in unrestricted net assets. Additionally, this has caused the Seaport's current liabilities to temporarily exceed its current assets. The Seaport expects to reimburse itself via a bond issue. The anticipated funding date is July 2009.

Table I

**SUMMARY STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30,
(IN MILLIONS)**

	Fiscal Year 2008	Change from Fiscal Year 2007	Fiscal Year 2007	Change from Fiscal Year 2006	Fiscal Year 2006
Capital assets, net	\$ 733.4	\$ 3.7	\$ 729.7	\$ 29.2	\$ 700.5
Current and other assets	43.5	(27.5)	71.0	(36.8)	107.8
Total assets	776.9	(23.8)	800.7	(7.6)	808.3
Long-term liabilities outstanding	526.8	(13.0)	539.8	(12.2)	552.0
Other liabilities	42.0	(12.5)	54.5	8.7	45.8
Total liabilities	568.8	(25.5)	594.3	(3.5)	597.8
Net assets:					
Invested in capital assets net of related debt	204.2	12.7	191.5	8.4	183.1
Restricted	19.1	(2.2)	21.3	(2.7)	24.0
Unrestricted (deficit)	(15.2)	(8.8)	(6.4)	(9.8)	3.4
Total net assets.	\$ 208.1	\$ 1.7	\$ 206.4	\$ (4.1)	\$ 210.5

The increase in invested in capital assets net of related debt, from fiscal year 2007 to 2008 is attributed to the continued commitment to the Seaport's Master Development Plan, coupled with reducing the related debt in fiscal year 2008. Through its aggressive 25 year master plan, the Port is moving forward with projects that pledge to further its unique dual distinction as Cargo Gateway of the Americas and Cruise Capital of the World. This holds true for the change between fiscal years 2007 and 2006. The decrease in restricted for debt service can be attributed to reduction in outstanding debt principal balances in accordance with the related amortization schedules.

The increase in deficit unrestricted net assets from fiscal year 2007 to 2008 is primarily attributed to the funding of approximately \$15 million of capital expenses from the Seaport's operating fund, pending reimbursement from a bond issuance in fiscal 2009. Currently, the Seaport's operating budget does not factor the recovery of depreciation. However, as the Seaport continues to renegotiate its existing cruise and cargo contracts, it anticipates that with contracts similar to the ones entered into during the 2008 fiscal year, depreciation will be recovered. During the 2008 fiscal year, the Seaport entered into two new cargo terminal agreements and one new cruise terminal agreements. Collectively, these agreements, coupled with existing agreements, increased guaranteed revenues to approximately \$60 million. This represents approximately 64% of the current year's operating revenues. The two new cargo terminal operator contracts, in addition to requiring minimum throughput, they also include a land rent component, which is expected to generate approximately \$8.0 million in additional revenue to the Port next year.

The Seaport's fiscal year 2008-09 continues various cost control measures and revenue enhancement initiatives. Additionally, the Seaport will continue working with the cargo terminal operators on renegotiating their existing cargo terminal operator contracts with terms that are more favorable to the Seaport.

The increase in invested in capital assets net of related debt, from fiscal year 2006 to 2007 is attributed to the commitment to the Seaport's Master Development Plan, which includes enhancing the port's infrastructure, buildings and making the Port of Miami a world class port coupled with a reduction in the Seaport's debt. Since the calculation of the net assets category includes reducing total capital asset investment, less depreciation and related debt to acquire or construct the related asset, a reduction in debt contributes towards the increase.

The reduction in restricted for debt service, from fiscal year 2006 to 2007, of \$2.7 million is attributed to a reduction of outstanding debt in accordance with the required debt repayment schedule and corresponding requirements.



The decrease in unrestricted net assets to deficit unrestricted net assets of \$9.8 million from fiscal year 2006 to 2007 is attributed to an increase in other nonoperating expenses, a decrease in nonoperating revenues, partially offset by an increase in operating revenue. The increase in other nonoperating expenses is attributed to a loss on disposal of fixed assets-sale of cranes 1,2,3 of \$11.1 million. The decrease in other nonoperating revenues can be attributed to the settlement agreement entered into during fiscal year 2006. The increase in operating revenues can be attributed to a slight increase cruise activity and other categories resulting from increased activity and related tariff rates. More detailed information, regarding the change in net assets between fiscal year 2007 and 2008 and 2006 and 2007 in the following pages.

Table II summarizes the change in the Seaport's net assets. Total net assets, as of September 30, 2008, were approximately \$208.0 million, representing an increase of approximately \$1.7 million from prior year. The increase, from prior year is attributed to decreases in unrestricted net assets of \$8.8 million and restricted assets of \$2.2 million. This decrease was partially offset with an increase in invested in capital assets, net of related debt of \$12.7 million. Additional information on the changes is discussed in the following pages.

Table II
Change in Net Assets
For the Fiscal Year Ended September 30,
(in millions)

	Fiscal Year 2008	Change from 2007	Fiscal Year 2007	Change from 2006	Fiscal Year 2006
Operating revenues					
Cruise wharfage	\$ 26.1	3.9	\$ 22.2	0.7	\$ 21.5
Cargo wharfage	15.3	(0.9)	16.2	(0.8)	17.0
Cruise dockage	13.4	2.5	10.9	0.3	10.6
Cargo dockage	3.8	(0.5)	4.3	(1.0)	5.3
Container crane user fees	7.9	(0.6)	8.5	(1.8)	10.3
Rentals	9.1	1.9	7.2	0.3	6.9
Ground transportation	1.3	0.3	1.0	0.2	0.8
Parking	9.8	2.0	7.8	1.7	6.1
Misc. charges and fees	8.0	1.5	6.5	3.0	3.5
Total operating revenue	<u>94.7</u>	<u>10.1</u>	<u>84.6</u>	<u>2.6</u>	<u>82.0</u>
Investment earnings	1.0	(2.1)	3.1	(0.7)	3.8
Other nonoperating	<u>2.7</u>	<u>2.7</u>	<u>2.7</u>	<u>(21.3)</u>	<u>21.3</u>
Total revenues	<u><u>98.4</u></u>	<u><u>10.7</u></u>	<u><u>87.7</u></u>	<u><u>(19.4)</u></u>	<u><u>107.1</u></u>
Operating expenses	61.6	(2.4)	64.0	2.8	61.2
Depreciation	19.9	2.0	17.9	1.8	16.1
Interest expense	22.4	(2.9)	25.3	1.4	23.9
Other nonoperating expenses	-	(12.4)	12.4	12.2	0.2
Total Expenses	<u><u>103.9</u></u>	<u><u>(15.7)</u></u>	<u><u>119.6</u></u>	<u><u>18.2</u></u>	<u><u>101.4</u></u>
Net income (loss) before contributions	(5.5)	26.4	(31.9)	(37.6)	5.7
Contributions	<u>7.2</u>	<u>(20.6)</u>	<u>27.8</u>	<u>20.5</u>	<u>7.3</u>
Change in net assets	1.7	5.8	(4.1)	(17.1)	13.0
Net assets at beginning of year	<u>206.4</u>	<u>(4.1)</u>	<u>210.5</u>	<u>13.0</u>	<u>197.5</u>
Net assets at end of year	<u>\$ 208.1</u>	<u>\$ 1.7</u>	<u>\$ 206.4</u>	<u>\$ (4.1)</u>	<u>\$ 210.5</u>

Operating revenues for fiscal year 2008 were \$94.7 million, an increase of \$10.1 million over fiscal year 2007. The increases in cruise wharfage and cruise dockage can be attributed to the increases of approximately 9.2% in cruise passengers and 10.7% in the passenger ships over the prior year and increases in the corresponding tariff rates. The decreases of the cargo wharfage, cargo dockage and container crane user fees can be attributed to the decreases in cargo activities, resulting from the economic slowdown. The increase in rentals can be attributed to two new cargo terminal operator agreements, which guarantee approximately \$8.0 million dollar per year. The revenue earned for the current year was prorated based on the effective date of each of the agreements.

Operating revenues for fiscal year 2007 were \$84.6 million. This represents an increase of approximately \$2.6 million from fiscal year 2006. The increases in cruise wharfage and cruise dockage can be attributed to the slight increase of approximately 1% in cruise passengers over the prior year, coupled with the increase in the related rates. The decrease in cargo wharfage, cargo dockage and container crane user fees can be attributed to the decrease in cargo activity, specifically, cargo tonnage and twenty foot equivalent units (TEU's) of approximately 18.7% and 9.4%,

respectively, from fiscal year 2006. The increase in miscellaneous charges and fees was attributed to the one time charge of facilities maintenance fee for fiscal year 2007. Other non-operating revenues decreased approximately \$21.3 million from fiscal year 2006. This decrease can be attributed to the one-time recognition of a settlement in fiscal year 2006 of approximately \$22.5. More information on the details of the settlement are discussed below. The increase of approximately \$11.1 million in other non-operating expenses is attributed to the loss of approximately \$11.1 million on the sale of three of its oldest and underutilized cranes.

On January 24, 2006 the County and a bond company reached a settlement whereby the bond company waived all rights to counterclaims and agreed to pay a total of \$22.5 million to the Seaport Department. On February 24, 2006, the Seaport received \$21.3 million with additional payments totaling \$1.2 million to be made in subsequent fiscal years. During the 2006-07 fiscal year, the Seaport received the first payment. In accordance to the settlement agreement, the balance should be received by the Seaport during fiscal year 2008. **Table III** summarizes and compares the Seaport's operating revenues.

Table III
Summary of Operating Revenues
For the Period Ended September 30,
(in millions)

	Fiscal Year 2008	Change from Fiscal Year 2007 \$	Fiscal Year 2007	Change from Fiscal Year 2006 \$	Fiscal Year 2006
Operating Revenues					
Cruise wharfage	\$ 26.1	\$ 3.9	\$ 22.2	\$ 0.7	\$ 21.5
Cargo wharfage	15.3	(0.9)	16.2	(0.8)	17.0
Cruise dockage	13.4	2.5	10.9	0.3	10.6
Cargo dockage	3.8	(0.5)	4.3	(1.0)	5.3
Container crane user fees	7.9	(0.6)	8.5	(1.8)	10.3
Rentals	9.1	1.9	7.2	0.3	6.9
Ground transportation	1.3	0.3	1.0	0.2	0.8
Parking	9.8	2.0	7.8	1.7	6.1
Miscellaneous fees and charges	8.0	1.5	6.5	3.0	3.5
Total revenues	<u>\$ 94.7</u>	<u>\$ 10.1</u>	<u>\$ 84.6</u>	<u>\$ 2.6</u>	<u>\$ 82.0</u>

Operating expenses for fiscal year 2008 decreased approximately \$2.4 million, from the previous year. The decrease is attributed mostly to cargo operations, maintenance, utilities, gantry cranes and general and administration expenses of \$0.3 million, \$0.6 million, \$0.7 million, \$2.4 million and \$0.2 million, respectively, with offsetting increases in cruise operations and security expenses of \$1.1 million and \$0.7 million, respectively. The Seaport has made a commitment to reducing or containing costs. It has put specific cost control measures in place that allow the Seaport to correlate expenses to all of its maritime activities. This is evident by the decrease in expenses from last year. With the exception of Cruise Operations, which had a slight increase as a result of the increase in cruise passenger activity and revenue for the year, and security, which had a slight increase, the Seaport successfully lowered costs in all other areas and activities.

Operating expenses increased in fiscal year 2007 approximately \$2.8 million from fiscal year 2006. The growth is attributed to an increase in cruise operations, maintenance, security, and general and administrative of \$0.5 million, \$1.0 million, \$1.9 million and \$1.0, respectively. The increase in maintenance is attributed to additional projects undertaken, increase in operating expenses (i.e. personnel costs, general and administrative and outside contract services); the increase in cruise operations is attributed to increased activity and increase in operating expenses; the increase in security costs is attributed to increase activity, additional staffing and increase in operating expenses; the increase in general and administrative is attributed to an increase in operating expenses. These increases were partially offset by decreases in cargo operations, utilities, marketing and advertising, and gantry cranes of \$0.1 million, \$0.5 million, \$0.5 million and \$0.5 million, respectively. The decreases in cargo operations, utilities and cargo operations are directly attributed to the decrease in cargo activity from prior year. Both cargo tonnage and TEU's decreased, from prior year, approximately 9.5% and 9.4%, respectively. The decrease in marketing an advertising was part of the overall cost control measures implemented by the Seaport to offset increases in other areas and the decline in cargo revenue.



Table IV below summarizes the Seaport's operating expenses.

Table IV
Summary of Operating Expenses (Exclusive of Depreciation)
For the Fiscal Year Ended September 30,
(in millions)

	Fiscal Year 2008	Change from Fiscal Year 2007	Fiscal Year 2007	Change from Fiscal Year 2006	Fiscal Year 2006
Operating Expenses					
Cruise Operations	\$ 5.8	1.1	\$ 4.7	0.5	\$ 4.2
Cargo Operations	1.4	(0.3)	1.7	(0.1)	1.8
Maintenance	6.4	(0.6)	7.0	1.0	6.0
Utilities	2.1	(0.7)	2.8	(0.5)	3.3
Marketing and Advertising	1.3	-	1.3	(0.5)	1.8
Gantry Cranes	7.6	(2.4)	10.0	(0.5)	10.5
Security	21.0	0.7	20.3	1.9	18.4
General and administration	16.0	(0.2)	16.2	1.0	15.2
Total Operating Expenses	<u>\$ 61.6</u>	<u>\$ (2.4)</u>	<u>\$ 64.0</u>	<u>\$ 2.8</u>	<u>\$ 61.2</u>

Capital assets and debt administration

Capital assets

The Seaport's total investment in capital assets, net of accumulated depreciation, at September 30, 2008, September 30, 2007 and September 30, 2006 was \$733.4 million, \$729.7 million and \$700.5 million, respectively. This represents an increase \$3.7 million, from fiscal year 2007 to 2008 and an increase of \$29.2 million from fiscal year 2006 to 2007. The increases between the 2007 and 2008 fiscal year and 2006 and 2007 fiscal year are attributed to projects in the Seaport's Master Plan and acquisition of other capital assets necessary for the ongoing operations of the Seaport. Additional information in changes in capital assets can be found in Note 4 of the Financial Statements and in the Construction Management Section in transmittal letter. Table V below summarizes the components of the Seaport's investment in capital assets.

Table V
Capital Assets
As of September 30,
(in millions)

	2008	Change from Fiscal Year 2007	2007	Change from Fiscal Year 2006	2006
Land and related costs	\$ 198.7	\$ (0.2)	\$ 198.9	\$ 46.4	\$ 152.5
Buildings, transit sheds and terminals	285.1	7.8	277.3	56.8	220.5
Machinery and equipment	25.1	4.0	21.1	16.1	5.0
Improvements other than buildings	209.3	12.4	196.9	37.2	159.7
Construction in progress	15.2	(20.3)	35.5	(127.3)	162.8
Totals	<u>\$ 733.4</u>	<u>\$ 3.7</u>	<u>\$ 729.7</u>	<u>\$ 29.2</u>	<u>\$ 700.5</u>

During fiscal year 2008 several construction projects were completed. The significant projects completed and under construction in accordance with the Seaport's Master Development program are as follows:

PROJECTS COMPLETED

- U.S. Customs Building
- Cargo Gate Complex Gateway
- Eastern Port Boulevard road improvements
- Enhance Entrance Area to Port

PROJECTS UNDERWAY

- Construction of new traffic circulation patterns and roadways
- Enhancements of certain cruise terminals
- Additional cruise passenger parking
- Cargo yard improvements
- Acquisition, construction and implementation of cruise terminal and gateway security enhancements

Debt administration

At September 30, 2008 and 2007 and 2006, the Seaport had \$537.8 million, \$548.4 million and \$558.4 million, respectively, in bonds and loan agreements outstanding. These represent decreases of approximately \$10.6 million and \$10.0 million, from fiscal year 2007 to 2008 and 2006 to 2007, respectively. These decreases are attributed to a reduction in principal of approximately \$10.6 million and \$10.0 million, annually in accordance with scheduled amortization. Additional long-term debt detail can be found in Note 5 to the financial statements.

During fiscal year 2008, the Seaport refinanced several of its Sunshine State Loans. The objective of the refinancing was to minimize the interest rate volatility. The major difference between the old debt agreements and the new debt agreements was the acquisition of a letter of credit. The letter of Credit is a for three year period (June 2, 2008 through June 2, 2011). Pursuant to the terms of the loan agreements, in the event that the credit facility provider does not extend the term of the credit facility and the County and the Sunshine State Loan Commission are unable to provide an alternate credit facility, the County shall prepay the loan in full by paying the then allocable optional prepayment price on or before 60 days prior to the expiration of the credit facility. Table VI summarizes the Seaport's long-term debt liabilities.

Table VI

**Outstanding Long-Term Debt
As of September 30,
(in millions)**

	Change from Fiscal Year 2007		Change from Fiscal Year 2006	
	2008	\$	2007	\$
Seaport general obligation bonds	\$ 134.6	\$ (3.9)	\$ 138.5	\$ (3.7)
Seaport revenue bonds	61.4	(3.2)	64.6	(2.9)
Sunshine state loans	341.8	(3.5)	345.3	(3.4)
Totals	<u>537.8</u>	<u>(10.6)</u>	<u>548.4</u>	<u>(10.0)</u>

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



Other Obligations. The Seaport participates in the County's self-insurance program for workers' compensation, general liability and automotive liability insurance. Certain group health insurance programs are also self insured, subject to certain stop loss provisions. Detailed information about the Seaport's liability from reported and unreported claims is included in Note 12. Other obligations include accrued vacation pay and sick leave, accrued health insurance benefits for retirees, arbitrage liability, and other contingent liabilities.

Economic factors and next year's budget and rates

International trade activity levels rose throughout fiscal year 2008. During the 2008 fiscal year exports increased approximately 5.5% while imports decreased approximately 13.7%. Most of the exports are exported to South America, Central America and Caribbean. The continued expansion of economies in most of the countries in these regions, along with relatively strong currencies against the dollar, contributed to the increase of exports.

For the 2008 fiscal year, cargo tonnage decreased approximately 5.2%, from the prior year, compared to a decrease of 9.5% in fiscal year 2007. The decrease is primarily attributed to the slowdown in the economy and industry consolidation. During the 2008 fiscal year, the Seaport renegotiated two of its cargo terminal operator contracts, which increase the Port's guaranteed revenues. Additionally, these agreements are heavily incentivized and encourage increased throughput and are very conducive to competition. Consequently, the Seaport is optimistic regarding international commerce in Miami-Dade and predicts higher volume levels in freight and cargo tonnage movement through the Port in the years to come. This is based on the expectation that economic growth in Latin America will continue to improve and that trade with Europe, South America, and Asia, particularly China, will increase.

During fiscal year 2006-07, the Seaport experienced a decrease in Asian, European and South American trade, of 8.3%, 3.7% and 34.7%, respectively. The primary reason for this decrease is attributed to industry consolidation and the loss of cargo to other regional ports. These decreases were partially offset by increases in the Caribbean, Central America and Mexico and Middle Eastern, SW Asian, and African trade of 0.8%, 7.7% and 288.8%, respectively. Additionally, the Seaport has recently been able to regain some cargo activity and is optimistic that it's a trend that will continue.

The Seaport expects its cruise activity to maintain currently levels or increase slightly. In December 2008, the Board of County Commission approved a new long-term contract with one of its cruise partners. This new agreement increases the Seaport's guaranteed revenue. Additionally, it positions the Port of Miami to homeport the new f3 class cruise passenger ship, which will be among the largest ships in the world. The Seaport will commit resources and passengers over the contract term. The Seaport broke ground on a new 750 passenger vehicle garage.

Annually the Seaport scrutinizes Terminal Tariff No. 010 to ensure the Seaport's ability to meet its budgetary obligations through Tariff revenues. The Adopted Budget for fiscal year 2008 includes fee increases in all Tariff categories. For fiscal year 2009, the Seaport is reevaluating its rate structure to assist the Seaport in capturing its cost and enhance revenue.

Request for Information

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

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

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**MIAMI-DADE COUNTY, FLORIDA
SEAPORT DEPARTMENT**

Statements of Net Assets

As of September 30, 2008 and September 30, 2007

Assets	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 851,755	\$ 5,757,145
Investments	268,058	5,595,176
Accounts receivable, less allowance for doubtful accounts of \$4,857,050 and \$6,997,298 at September 30, 2008 and September 30, 2007	9,014,710	7,416,367
Receivable (other)	356,600	—
Prepaid expenses and other current assets	4,432,653	4,388,872
Total unrestricted assets	<u>14,923,776</u>	<u>23,157,560</u>
Restricted assets:		
Current restricted assets:		
Cash and cash equivalents	7,502,548	23,822,150
Investments	14,677,352	15,426,775
Settlement receivable	—	625,000
Due from other governments	1,882,138	858,232
Total current restricted assets	<u>24,062,038</u>	<u>40,732,157</u>
Total current assets	<u>38,985,814</u>	<u>63,889,717</u>
Noncurrent assets:		
Noncurrent restricted assets		
Investments	2,291,852	2,291,852
Total noncurrent restricted assets	<u>2,291,852</u>	<u>2,291,852</u>
Capital Assets:		
Land and related costs	198,658,106	198,871,596
Buildings, transit sheds and terminals	423,546,300	404,380,738
Improvements other than buildings	279,485,082	260,696,509
Machinery and equipment	38,923,824	32,812,969
Construction in progress	15,185,342	35,480,324
Total capital assets	<u>955,798,654</u>	<u>932,242,136</u>
Less accumulated depreciation	<u>(222,407,035)</u>	<u>(202,544,035)</u>
Capital assets, net	<u>733,391,619</u>	<u>729,698,101</u>
Deferred charges:		
Deferred bond issuance costs, net	2,216,879	4,865,501
Total noncurrent assets	<u>737,900,350</u>	<u>736,855,454</u>
Total assets	<u>\$ 776,886,164</u>	<u>\$ 800,745,171</u>

(Continued)

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

Statements of Net Assets (cont.)

As of September 30, 2008 and September 30, 2007

Liabilities and Net Assets	<u>2008</u>	<u>2007</u>
Current liabilities (payable from unrestricted assets):		
Accounts payable and accrued expenses	\$ 2,453,224	\$ 3,406,434
Accrued payroll and related expenses	688,782	473,079
Compensated absences	1,545,565	1,419,395
Accrued interest payable	855,541	1,085,936
Current portion of loans payable	3,500,000	3,500,000
Current portion of master lease agreement	1,561,678	1,410,849
Unearned revenue	83,746	163,335
Due to other Miami-Dade County funds	10,331,297	7,644,644
Total current liabilities (payable from unrestricted assets)	<u>21,019,833</u>	<u>19,103,672</u>
Current liabilities (payable from restricted assets):		
Current portion of revenue and general obligation bonds payable	7,595,000	7,120,000
Accrued interest payable	5,306,123	5,541,075
Accounts payable and accrued expenses	638,801	4,801,246
Contracts and retainage payable	7,038,431	17,460,441
Deferred grant receipts	455,150	559,933
Total current liabilities (payable from restricted assets)	<u>21,033,505</u>	<u>35,482,695</u>
Total current liabilities	<u>42,053,338</u>	<u>54,586,367</u>
Long-term liabilities:		
Bonds payable, less unamortized discount and loss of \$8,672,180 and \$9,449,456 at September 30, 2008 and September 30, 2007, respectively	179,697,821	186,515,545
Loans payable, less unamortized deferred loss of \$2,133,390 at September 30, 2008	336,171,610	341,805,000
Master lease agreement	2,821,120	4,382,797
Mitigation - Consent order	3,146,000	2,438,581
Compensated absences	4,288,959	3,359,712
Other	601,752	1,303,858
Total long-term liabilities	<u>526,727,262</u>	<u>539,805,493</u>
Total liabilities	<u>568,780,600</u>	<u>594,391,860</u>
Net Assets		
Invested in capital assets, net of related debt	204,261,269	191,448,074
Restricted for debt service	19,078,188	21,256,880
Unrestricted deficits	(15,233,893)	(6,351,643)
Total Net Assets	<u>\$ 208,105,564</u>	<u>\$ 206,353,311</u>

(Concluded)

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

MIAMI-DADE COUNTY, FLORIDA
SEAPORT DEPARTMENT
Statements of Revenues, Expenses and Changes in Fund Net Assets
For the twelve months ended September 30, 2008 and 2007

	2008	2007
Operating revenue:		
Cruise wharfage	\$ 26,077,666	\$ 22,235,017
Cargo wharfage/dockage	19,082,480	20,499,625
Cruise dockage	13,414,025	10,858,664
Container crane user fees	7,922,231	8,525,442
Rentals	9,105,954	7,212,548
Ground transportation	1,266,670	1,012,386
Parking	9,791,817	7,777,503
Miscellaneous charges and fees	8,036,881	6,446,977
Total operating revenue	94,697,724	84,568,162
Operating expenses:		
Cruise operations	5,798,828	4,766,332
Cargo operations	1,408,545	1,618,204
Maintenance	6,304,376	6,954,443
Utilities	2,110,275	2,790,521
Marketing and advertising	1,293,251	1,307,271
Gantry cranes	7,641,089	10,017,873
Security	20,974,518	20,344,562
General and administrative	16,047,924	16,221,553
Total operating expenses before depreciation	61,578,806	64,020,759
Operating income before depreciation	33,118,918	20,547,403
Depreciation	19,862,998	17,926,639
Operating income	13,255,920	2,620,764
Nonoperating revenues (expenses):		
Investment earnings	960,179	3,100,138
Interest expense, net of capitalized interest	(22,409,240)	(25,280,266)
Loss on disposal of assets	—	(11,074,246)
Other, net	2,733,540	(1,285,442)
Total nonoperating revenue (expenses)	(18,715,521)	(34,539,816)
Income (Loss) before capital contributions	(5,459,601)	(31,919,052)
Capital contributions	7,211,854	27,730,310
Change in net assets	1,752,253	(4,188,742)
Total net assets - Beginning	206,353,311	210,542,053
Total net assets - Ending	\$ 208,105,564	\$ 206,353,311

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

MIAMI-DADE COUNTY, FLORIDA
SEAPORT DEPARTMENT
Statements of Cash Flows
For the twelve months ended September 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from customers and tenants	\$ 91,608,947	\$ 83,274,824
Cash paid to suppliers	(28,805,240)	(33,021,564)
Cash paid to employees for services	(29,622,942)	(26,528,373)
Net cash provided by operating activities	33,180,765	23,724,887
Cash flows from noncapital financing activities:		
Payments for community activities		(879,458)
Net cash used by noncapital financing activities		(879,458)
Cash flows from capital and related financing activities:		
Capital grants received	5,726,565	2,959,379
Principal payments:		
Bonds	(7,120,000)	(6,685,000)
Notes and loans	(3,500,000)	(3,405,000)
Interest paid	(25,321,093)	(26,330,094)
Purchase of capital assets	(31,852,949)	(27,767,875)
Proceeds from Dredging Settlement	625,000	625,000
Proceeds from sale of assets	—	2,696,115
Net cash used by capital and related financing activities	(61,442,477)	(57,907,475)
Cash flows from investing activities:		
Investments purchased	(17,290,795)	(23,182,483)
Proceeds from sale and maturities of investments	23,313,803	45,105,235
Interest and dividends from investments	1,013,712	2,968,817
Net cash provided by investing activities	7,036,720	24,891,569
Net increase (decrease) in cash and cash equivalents	(21,224,992)	(10,170,477)
Cash and cash equivalents (including restricted assets) at beginning of year	29,579,295	39,749,772
Cash and cash equivalents (including restricted assets) at end of year	\$ 8,354,303	\$ 29,579,295

(Continued)

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

MIAMI-DADE COUNTY, FLORIDA
SEAPORT DEPARTMENT

Statements of Cash Flows (cont.)

For the twelve months ended September 30, 2008 and 2007

	0	<u>2008</u>		<u>2007</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$	13,255,920	\$	2,620,764
Depreciation		19,862,998		17,926,639
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable, net		(1,598,343)		(1,309)
(Increase) decrease in prepaid expenses and other current assets		(43,781)		427,694
Increase (decrease) in accounts payable, accrued expenses and due to other Miami-Dade County Funds		1,733,443		5,170,208
Increase (decrease) in accrued payroll and related expenses		1,271,120		273,261
Increase (decrease) in master lease agreement		(1,410,849)		(1,274,588)
Increase (decrease) in unearned revenue		(79,589)		(17,441)
Increase (decrease) in other liabilities		189,846		(1,400,341)
Net cash provided by operating activities	\$	<u>33,180,765</u>	\$	<u>23,724,887</u>

Noncash investing, capital and financing activities:

In fiscal year 2008, the Seaport refinanced \$225,900,000 of its loans outstanding and incurred a deferred loss of \$2,160,057.

During fiscal year 2008, the Seaport had a change in construction and related liabilities of approximately \$10,884,574 million from the prior year, which impacted the cash uses for capital and related financing activities. Additionally during the year, the Seaport's capitalized interest for the year was \$2,588,133.

(Concluded)

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

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Miami-Dade County Seaport Department
Fiscal 2008 Comprehensive Annual Financial Report
Notes to the Financial Statements

(1) General Description

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

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

(2) Summary of significant accounting policies

(a) Basis of Accounting and Reporting Entity

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

(b) Application of FASB Pronouncements to Proprietary Funds

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

(c) Cash and Cash Equivalents and Investments

The Seaport maintains substantially all of its cash and investments with the County's pool of cash and investments, except for those situations in which separate cash and investment accounts are required to be maintained in accordance with legal restrictions. The Seaport's share of the total pooled cash and investments (including accrued interest), as well as non-pooled cash and investments, is displayed in the statements of net assets as "Cash and Cash Equivalents" and "Investments" under the current unrestricted and current and long-term restricted captions. Income earned or losses arising from pooled cash and investments are allocated by the County on a monthly basis to the appropriate funds and entities based on their respective average daily balances. Cash includes cash on hand, amounts in demand deposits, and positions in investment pools that can be deposited or withdrawn without notice or penalty. Cash equivalents are short-term, highly liquid securities with known market values and maturities, when acquired, of less than three months.

The Seaport adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which established accounting and financial reporting standards for all investments, including fair value standards. Non-participating investments, such as nonnegotiable certificates of deposit with redemption values that do not consider market rates, are reported at amortized cost. Participating investments are carried at fair value, and unrealized gains and losses due to variations in fair value are recognized for the year (see note 3). The net change in the fair value at September 30, 2008 and 2007 is included as part of investment earnings in the accompanying statements of revenues, expenses and changes in fund net assets.

Miami-Dade County Seaport Department
Fiscal 2008 Comprehensive Annual Financial Report
Notes to the Financial Statements

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

(d) Allowance for Doubtful Accounts

The allowance balance was \$4.9 million and \$6.9 million for fiscal years 2008 and 2007, respectively. During fiscal year 2008, following Board of County Commission approval, the Seaport wrote-off \$1,641,378 of uncollectable receivables. The Seaport recorded adjustments to the allowance of \$498,870 and approximately \$2.7 million for fiscal year 2008 and 2007, respectively, with an offset to the respective revenue category in the statements of revenues, expenses and changes in fund net assets.

(e) Restricted Assets

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

(f) Application of Restricted and Unrestricted Assets

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

(g) Capital Assets and Depreciation

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

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

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

(h) Interest on Indebtedness

Interest is charged to expense as incurred, except for interest related to borrowings used for construction projects which is capitalized, net of interest earned on construction funds borrowed. Interest incurred during the fiscal years ended September 30, 2008 and 2007, net of capitalized amounts, was approximately \$22.4 million and \$25.3 million, respectively. In fiscal years 2008 and 2007, \$2,588,133 and \$1,142,489 was capitalized respectively, net of interest earnings on construction proceeds.

(i) Refunding of Debt

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

Miami-Dade County Seaport Department
Fiscal 2008 Comprehensive Annual Financial Report
Notes to the Financial Statements

(j) Bond Discount and Issuance Costs

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

(k) Compensated Absences

The Seaport accounts for compensated absences by accruing a liability for employees' compensation for future absences according to the guidelines of GASB Statement No. 16, Accounting for Compensated Absences. As of September 30, 2008 and 2007, long-term liabilities for compensated absences were \$4.3 million and \$3.4 million, respectively and short-term liabilities for compensated absences were \$1.5 million and \$1.4 million, respectively.

(l) Revenue and Expense Classifications

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

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

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

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

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

(m) Rates, Fees, Rentals and Other Charges

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

(n) Pension Plan

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

Miami-Dade County Seaport Department
Fiscal 2008 Comprehensive Annual Financial Report
Notes to the Financial Statements

(o) Grants

Grants received for the acquisition or construction of capital assets are recorded as capital contributions in the statements of revenues, expenses and changes in fund net assets, when earned. Grants are earned when costs relating to such capital assets, which are reimbursable under the terms of the grants, have been incurred. Revenue from operating grants is recorded as non operating revenues.

(p) Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) Reclassification

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

(3) Cash, Cash Equivalents, and Investments

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

The carrying amounts of the Seaport's local deposits were \$8.4 million and \$29.6 million as of September 30, 2008 and 2007, respectively. All deposits are fully insured by Federal Depository Insurance and are held in qualified public depositories pursuant to State of Florida Statutes Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

As a rule, the County intends to hold all purchased securities until their final maturity date. There may be an occasional exception such as sales relating to swap transactions.

**Miami-Dade County Seaport Department
Fiscal 2008 Comprehensive Annual Financial Report
Notes to the Financial Statements**

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

<u>Investment Type</u>	<u>2008 Fair Value</u>	<u>2007 Fair Value</u>
Federal Home Loan Mortgage Corporation	\$ 1,570	\$ 2,735
Federal Home Loan Bank	4,335	2,956
Federal Farm Credit Bank	1,761	1,124
Fannie Mae	4,071	3,807
Freddie Mac	-	522
SBA	-	4,598
Time Deposits	194	528
Treasury Notes	2,257	-
Commercial Paper	3,049	7,044
Total	<u>\$ 17,237</u>	<u>\$ 23,314</u>

(a) Credit Risk

The County's Investment Policy (the "Policy"), minimizes credit risk by restricting authorized investments to: Local Government Surplus Funds Trust Fund (SBA) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, pursuant to Florida Statutes §280.02, which are defined as banks, savings bank, or savings association organized under the laws of the United States with an office in this state that is authorized to receive deposits, and has deposit insurance under the provisions of the Federal Deposit Insurance Act; direct obligations of the United States Treasury; federal agencies and instrumentalities; securities of, or other interest in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio is limited to the obligations of the United States government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; commercial paper of prime quality with a stated maturity of 270 days or less from the date of its issuance, which has the highest letter and numerical rating as provided for by at least one nationally recognized rating service; Banker Acceptances which have a stated maturity of 180 days or less from the date of its issuance, and have the highest letter and numerical rating as provided for by at least one nationally recognized rating service, and are drawn on and accepted by commercial banks and which are eligible for purchase by the Federal Reserve Bank; Investments in Repurchase Agreements ("Repos") collateralized by securities authorized by the policy.

**Miami-Dade County Seaport Department
Fiscal 2008 Comprehensive Annual Financial Report
Notes to the Financial Statements**

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

<u>Investment Type</u>	<u>2008 Credit Rating</u>	<u>2007 Credit Rating</u>
Federal Home Loan Mortgage	AAA	AAA
Federal Home Loan Bank	AAA	AAA
Federal Farm Credit Banks	AAA	AAA
Fannie Mae	AAA	AAA
Freddie Mac	-	AAA
Commercial Paper	AI/PI	AI/PI

(b) Custodial Credit Risk

The Policy requires that bank deposits be secured per Chapter 280, Florida Statutes. This requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2008 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% with any one issuer; a maximum of 25% of the portfolio may be invested in bankers acceptance with a maximum 10% with any one issuer; a maximum of 60% of the portfolio may be invested in both commercial paper and bankers acceptance; a maximum of 10% of the portfolio may be invested with any one institution.

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

<u>Issuer</u>	<u>2008 % of Portfolio</u>	<u>2007 % of Portfolio</u>
Federal Home Loan Bank	25.20	12.68
Federal Home Loan Mortgage Corporation	9.10	11.73
Fannie Mae	23.60	16.33
Federal Farm Credit Bank	10.20	-

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

**Miami-Dade County Seaport Department
Fiscal 2008 Comprehensive Annual Financial Report
Notes to the Financial Statements**

(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 nonoperating fund shall have a term appropriate to the need for funds and in accordance with debt covenants. The Policy limits the maturity of an investment to a maximum of 5 years. The County had the following investments with the respective weighted average maturity in years at September 30,

<u>Investment Type</u>	2008 Weighted Average in Years	2007 Weighted Average in Years
Federal Home Loan Mortgage Corporation	1.23	1.51
Federal Home Loan Bank	0.52	1.58
Federal Farm Credit Bank	1.27	1.95
Fannie Mae	0.70	0.85
Freddie Mac	-	0.22
Time Deposits	0.34	0.43
Commercial Paper	0.03	0.08
Treasury Notes	0.60	-

(e) Foreign Currency Risk

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

(f) Cash Requirements

During fiscal year 2008, the Seaport maintained the reserves required by the Master Bond Ordinance (see note 5) and made, from available operating and nonoperating revenue, all transfers and deposits required by the Master Bond Ordinance and other subordinated debt agreements.

**Miami-Dade County Seaport Department
Fiscal 2008 Comprehensive Annual Financial Report
Notes to the Financial Statements**

(4) Capital assets

Capital asset activity for the years ended September 30, 2008 and 2007, was as follows (in thousands):

	Balance at 9/30/06	Additions	Deletions	Balance at 9/30/07	Additions	Deletions	Balance at 9/30/08
Capital assets, not being depreciated:							
Land and related costs	\$ 152,506	\$ 46,367	\$ -	\$ 198,873	\$ 177	\$ (391)	\$ 198,659
Construction in progress	162,827	36,428	(163,775)	35,480	16,760	(37,055)	15,185
Total capital assets, not being depreciated	315,333	82,795	(163,775)	234,353	16,937	(37,446)	213,844
Capital assets being depreciated:							
Buildings, transit sheds and terminals	351,172	81,271	(28,062)	404,381	19,165	-	423,546
Improvements other than buildings	217,719	42,978	-	260,697	18,788	-	279,485
Machinery and equipment	15,136	17,677	-	32,813	6,111	-	38,924
Total capital assets being depreciated	584,027	141,926	(28,062)	697,891	44,064	-	741,955
Less accumulated depreciation for:							
Buildings, transit sheds and terminals	(130,594)	(10,793)	14,291	(127,096)	(11,300)	-	(138,396)
Improvements other than buildings	(58,035)	(5,709)	-	(63,744)	(6,478)	-	(70,222)
Machinery and equipment	(10,280)	(1,425)	-	(11,705)	(2,084)	-	(13,789)
Total accumulated depreciation	(198,909)	(17,927)	14,291	(202,545)	(19,862)	-	(222,407)
Total capital assets, being depreciated, net	385,118	123,999	(13,771)	495,346	24,202	-	519,548
Total capital assets, net	\$ 700,451	\$ 206,794	\$ (177,546)	\$ 729,699	\$ 41,139	\$ (37,446)	\$ 733,392

(5) Long-term Debt

(a) Bond Covenant

Under the provisions of Master Ordinance 88-66, as amended, (the "Ordinance") authorizing the issuance of senior lien bonds, the County has issued Seaport Revenue Bonds and Seaport General Obligation Bonds on a parity basis. Principal is paid annually on October 1 for all Revenue and General Obligation Bonds; interest is paid semiannually on October 1 and April 1 every year. The revenue bonds are payable solely from the revenue of the Seaport and are not general obligations of the County. The general obligation bonds are payable primarily from the revenue of the Seaport, and, to the extent that the revenue of the Seaport is insufficient, are payable from ad valorem taxes levied on property in Miami-Dade County without limit as to rate or amount. The Ordinance requires the County to maintain and revise the schedule of rates and fees at the Seaport such that revenue will be sufficient to provide an amount at least equal to the total of: (a) 100 percent of operating expenses (seaport operations, as defined), as computed from the annual budget; (b) 125 percent of the maximum principal and interest requirements on all revenue bonds for any future fiscal year plus 110 percent of the maximum principal and interest requirements on general obligation bonds for any future fiscal year; (c) 100 percent of the debt service reserve account deposit requirement; and (d) 100 percent of the amount established in the annual budget to be deposited to the reserve maintenance fund in the current fiscal year. The net revenue requirements for maximum principal and interest applicable to Revenue Bonds and General Obligation Bonds were met in fiscal year 2008 and fiscal year 2007.

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(b) Seaport Revenue Bonds

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

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

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

(c) Seaport General Obligation Bonds

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

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

(d) Loans Payable and Sunshine State Governmental Finance Commission

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

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(e) Sunshine State Loans

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

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

On October 19, 1987, the County entered into such loan agreement with the Commission in the amount of \$50 million. Initially, the Seaport entered into an agreement with the County whereby such borrowing was to be repaid under a debt structure of interest only for five years and level debt service amortization over a period of 25 years beginning in 1994. In fiscal year 1996, the County agreed to allow the Seaport to defer amortizing principal on the loan until the year 2000 so the Seaport could meet other commitments. The loan was restructured during the 2006 fiscal year. As a result of the restructuring, the "balloon" payment has been replaced with principal install payments. The first of these payments is due in 2006 and the final maturity will be in 2016. Additionally, the original maturity of July 2012 has been deferred to July 2016.

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

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

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

On October 6, 1998, the County, on behalf of the Seaport, entered into such loan agreement with the Commission in the amount of \$20.6 million. The 1998 Sunshine Loan is a fully amortizing loan with principal due annually beginning October 1, 1999 through its scheduled maturity date on October 1, 2023. The loan was restructured during the 2006 fiscal year. As a result of the restructuring, the original first principal repayment in December 2012 has been deferred to December 2016 and the final maturity has been extended from December 2020 to December 2033.

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1999 Sunshine Loan—On February 28, 1998, the Board of County Commissioners enacted an ordinance authorizing the County to incur indebtedness in an aggregate principal amount not to exceed \$120 million, in the form of a loan from the Commission, for the primary purposes of providing matching funds for grants received to finance certain cruise terminal and cargo berthing improvements at the Port of Miami and provide for the payment of loan expenses. On September 28, 1999, the County, on behalf of the Seaport, entered into such loan agreement with the Commission in the amount of \$36 million. The 1999 Sunshine Loan is a fully amortizing loan with principal due annually beginning October 1, 2000 through its scheduled maturity date on October 1, 2024. The loan was restructured during the 2006 fiscal year. As a result of the restructuring, the principal payments were deferred until October 2015 and the final maturity has been extended from October 2015 to December 2033.

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

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

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

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

On June 2, 2008, the County, on behalf of the Seaport, entered into refinancing agreements with the State of Florida Financing Commission, to refinance all loans, except the 1987 Loan. The purpose of the refinance was to minimize the Seaport's interest rate exposure and minimize the interest rate volatility. Additionally, the Seaport entered into the new agreements in order to acquire a letter of credit. The letter of credit is effective for a three year period (June 2, 2008 through June 2, 2011). The refinancing did not have an effect on the terms, principal payments or amortization.

The major difference between the old debt agreements and the new debt agreements was the acquisition of a letter of credit. The letter of Credit is a for three year period (June 2, 2008 through June 2, 2011). Pursuant to the terms of the loan agreements, in the event that the credit facility provider does not extend the term of the credit facility and the County and the Sunshine State Loan Commission are unable to provide an alternate credit facility, the County shall prepay the loan in full by paying the then allocable optional prepayment price on or before 60 days prior to the expiration of the credit facility.

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As result of the refinancing, the Seaport recognized a deferred loss on refunding of \$2,160,057. One of the terms that remained between the old debt and the new debt was variable interest rate. Consequently, because of the uncertainty of interest rates, especially in the current, unstable economic instability there was no economic gain or loss calculated on the transaction. Additionally, since the principal balance of the new debt remained the same as the old debt, the calculation of economic gain or loss would be based on the present value of the unamortized issuance cost of the old debt and the present value of the unamortized issuance cost of the new debt.

(f) Long-Term Debt Summary

A summary of the Seaport's outstanding debt for the fiscal years ended September 30, 2008 and 2007 is presented in the following table (dollars in thousands):

Description	Date of Issuance	Interest Rate	Amount Issued	Year of Maturity	Outstanding Balance 2008	Outstanding Balance 2007
Dade County Seaport Revenue Bonds:						
Series 1990E (Refunding Bonds)	1990	6.20%-8.00%	29,400	2008	\$ 1,485	\$ 2,860
Series 1995 (Refunding Bonds)	1995	4.60%-6.20%	44,950	2015	36,415	37,515
Series 1996	1996	4.00%-5.50%	29,270	2026	23,495	24,200
Less:						
Unamortized discount and deferred amounts					(923)	(1,255)
Current portion					(3,395)	(3,180)
					<u>57,077</u>	<u>60,140</u>
Dade County Seaport General Obligation Bonds:						
Series 1996 (Refunding Bonds)	1996	4.40%-6.50%	149,950	2026	134,570	138,510
Less:						
Unamortized discount and deferred amounts					(7,749)	(8,195)
Current portion					(4,200)	(3,940)
					<u>122,621</u>	<u>126,375</u>
Sunshine State Loans:						
1987 Loan	1987	4.72%	50,000	2016	34,745	38,245
1995 Loan	1995	2.67%	41,390	2033	41,390	41,390
1998 Loan	1998	2.67%	20,605	2033	17,095	17,095
1999 Loan	1999	2.67%	36,000	2033	30,575	30,575
2001 Loan	2001	2.67%	150,000	2032	143,000	143,000
2005 Loan	2005	2.67%	75,000	2035	75,000	75,000
Less:						
Unamortized deferred amounts					(2,134)	-
Current portion					(3,500)	(3,500)
					<u>336,171</u>	<u>341,805</u>
Total long-term debt, net					<u>\$ 515,869</u>	<u>\$ 528,320</u>

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(q) Debt Service Requirements

The Seaport's debt service requirements to maturity by type, including the current portion, at September 30, 2008, are as follows (in thousands):

Year Ending September 30,	Principal	Interest	Total debt Service
Revenue Bonds			
2009	\$ 3,395	\$ 3,416	\$ 6,811
2010	3,620	3,192	6,812
2011	5,475	2,916	8,391
2012	5,815	2,584	8,399
2013	6,140	2,243	8,383
2014-2018	22,910	6,143	29,053
2019-2023	6,970	2,932	9,902
2024-2027	7,070	803	7,873
Total	61,395	24,229	85,624
G.O. Bonds			
2009	4,200	6,945	11,145
2010	4,470	6,663	11,133
2011	4,755	6,363	11,118
2012	5,070	6,079	11,149
2013	5,330	5,812	11,142
2014-2018	31,030	24,562	55,592
2019-2023	39,840	15,527	55,367
2024-2027	39,875	4,214	44,089
Total	134,570	76,165	210,735
State Loans			
2009	3,500	10,383	13,883
2010	3,500	10,218	13,718
2011	4,000	10,045	14,045
2012	4,000	9,855	13,855
2013	4,500	9,659	14,159
2014-2018	49,785	43,930	93,715
2019-2023	63,900	35,171	99,071
2024-2028	86,900	25,519	112,419
2029-2033	105,720	9,955	115,675
2034-2035	16,000	577	16,577
Total	341,805	165,312	507,117
Grand total	\$537,770	\$265,705	\$803,475

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

(6) Defeasance of Debt

At September 30, 2008 and 2007, there were no defeased bonds outstanding.

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(7) Master Lease Agreement

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

During fiscal year 2001, the Company paid off the remaining balance of the loan. At this time, under the terms of the Master Lease Agreement, the Company is receiving deferred rental credits from the Seaport until the 20 year repayment period expires. The balance of the Master Lease Agreement was \$4.4 million and \$5.8 million as of September 30, 2008 and 2007, respectively.

(8) Operating Lease Agreements

The Seaport has several operating leases consisting principally of the leasing of land, office space and warehouses to several tenants. The lease agreements consist of both cancelable and noncancelable agreements. The agreements expire over the next 15 years.

Future minimum lease income under the noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2008 are summarized in the table below

(in thousands):

Year ending September 30,	Operating Leases
2009	\$ 13,672
2010	11,203
2011	9,692
2012	8,367
2013	7,981
2014-2018	37,760
2019-2023	37,271
Total rental income	<u>125,946</u>

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(9) Long-term Obligation Activity

Changes in long-term obligations for the year ending September 30, 2008 are as follows (in thousands):

	Balance at 9/30/07	Increase	Decrease	Balance at 9/30/08	Due within One year
Bonds and loans payable:					
Revenue bonds	\$ 64,575	\$ -	\$ 3,180	\$ 61,395	\$ 3,395
General obligation bonds	138,510	-	3,940	134,570	4,200
Sunshine State loans	345,305	-	3,500	341,805	3,500
Unamortized discounts and deferred amounts	(9,450)	2,134	(778)	(10,806)	-
Total	<u>538,940</u>	<u>2,134</u>	<u>9,842</u>	<u>526,964</u>	<u>11,095</u>
Other liabilities:					
Master lease agreement	\$ 5,793	\$ -	\$ 1,411	\$ 4,382	\$ 1,562
Arbitrage rebate	892	-	892	-	-
Compensated absences	4,779	2,979	1,923	5,835	1,546
Mitigation liability-consent order	2,439	731	24	3,146	-
Other	445	223	33	635	33
Total	<u>14,348</u>	<u>3,933</u>	<u>4,283</u>	<u>13,998</u>	<u>3,141</u>
Total long-term liabilities	<u>\$ 553,288</u>	<u>\$ 6,067</u>	<u>\$ 14,125</u>	<u>\$ 540,962</u>	<u>\$ 14,236</u>

Changes in long-term obligations for the year ending September 30, 2007 are as follows (in thousands):

	Balance at 9/30/06	Increase	Decrease	Balance at 9/30/07	Due within One year
Bonds and loans payable:					
Revenue bonds	\$ 67,555	\$ -	\$ 2,980	\$ 64,575	\$ 3,180
General obligation bonds	142,215	-	3,705	138,510	3,940
Sunshine State loans	348,710	-	3,405	345,305	3,500
Unamortized discounts and deferred amounts	(10,227)	-	(777)	(9,450)	-
Total	<u>548,253</u>	<u>-</u>	<u>9,313</u>	<u>538,940</u>	<u>10,620</u>
Other liabilities:					
Master lease agreement	\$ 7,068	\$ -	\$ 1,275	\$ 5,793	\$ 1,411
Arbitrage rebate	2,235	443	1,786	892	-
Compensated absences	4,239	2,272	1,732	4,779	1,419
Mitigation liability-consent order	2,465	-	26	2,439	-
Other	2,245	11	1,811	445	33
Total	<u>18,252</u>	<u>2,726</u>	<u>6,630</u>	<u>14,348</u>	<u>2,863</u>
Total long-term liabilities	<u>\$ 566,505</u>	<u>\$ 2,726</u>	<u>\$ 15,943</u>	<u>\$ 553,288</u>	<u>\$ 13,483</u>

(10) Restricted Assets

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

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

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

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	2008	2007
Debt service	\$ 19,078	\$ 21,257
Capital grants receivable	1,882	613
Improvement and construction	5,394	21,154
Total	\$ 26,354	\$ 43,024

(11) Employment Benefits

(a) Pension Plan

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

The Florida Legislature created a new defined contribution program that was added to the menu of choices available to FRS members beginning in June 2002. Formally created as the Public Employee Optional Retirement Program (PEORP), the FRS Investment Plan is available as an option for all current and future FRS members, including renewed members (FRS retirees who have returned to FRS employment). The FRS Investment Plan is a defined contribution plan, in which the monthly contribution rate is fixed, the final benefit will be the total account value (contributions plus investment earnings less expenses and losses) distributed during retirement. Benefits under the plan vest after six years of service. Employees who retire at or after age 62, with six years of credited service, are entitled to an annual retirement benefit, payable monthly for life. The FRS also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by State of Florida statutes.

Pension costs for the Seaport as required and defined by the FRS ranged between 9.85% to 20.92% of gross salaries for fiscal years 2008, 2007 and 2006, respectively. For the fiscal years ended September 30, 2008, 2007 and 2006, the County contributed 100 percent of the annual required contributions. These contributions aggregated \$281 million, \$272 million, and \$227 million, respectively, which represents 13.1%, 12.9% and 11.3% of covered payroll, respectively, and 10.8%, 11.1% and 10.4% of the total contributions required of all participating agencies for fiscal years 2008, 2007 and 2006. The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due based upon plan assumptions. Employer contributions rates are established by state law as a level percentage of payroll (Chapter 121.70 Florida Statutes). Employer contribution rates are determined using the entry-age actuarial cost method. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. Pension costs of the Seaport for the years ended September 30, 2008, 2007 and 2006, as required and defined by the System, were \$2.2 million, \$1.9 million and \$1.5 million, respectively. These amounts are included in operating expenses in the accompanying statements of revenues, expenses and changes in fund net assets.

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

(b) Postemployment Benefits Other than Pensions

During the 2008 fiscal year, the Seaport adopted the requirements of Governmental Accounting Standards Board Statement 45 (GASB 45) for other post-employment benefits (OPEB). This statement requires that the County accrue the cost of the County's retiree health subsidy and OPEB during the period of employees' active employment as the benefits are being earned. It requires the unfunded actuarial accrued liability be disclosed in order to accurately account for the total future cost of OPEB and the financial impact on the County. The financial impact of the adoption of this statement is reflected in the accompanying financial statements.

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

Eligibility: To be eligible to receive retiree medical and dental benefits, participants must be eligible for retirement benefits under the Florida Retirement System (FRS) and pay required contributions.

Regular Class (All employees not identified as members of the Special Risk Class)

Eligibility for Unreduced Pension Benefits under FRS

- Age 62 with 6 years of service
- 30 years of service (no age requirement)
- Eligibility for Reduced Pension Benefits under FRS

Special Risk Class (Police Officers, Firefighters and Corrections Officers)

Eligibility for Unreduced Pension Benefits under FRS

- Age 55 with 6 years of special risk service
- 25 years of special risk service (no age requirement)
- Age 52 and 25 years of creditable service, including special risk service and up to maximum of 4 years of active duty wartime military service credit,
- Regular Class criteria

Eligibility for Reduced Pension Benefits under FRS

- 6 years of service (no age requirement)

Benefits:

The medical plans offered provide hospital, medical and pharmacy coverage. Pre-65 retirees are able to select from five medical plans as follows.

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

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Post-65 retirees are able to select from five medical plans as follows. The County only contributes to post-65 retirees electing an AvMed Medicare Supplement Plan.

- AvMed Medicare Supplement Low Option
- AvMed Medicare Supplement High Option with RX
- AvMed Medicare Supplement High Option without RX
- JMH HMO High Option
- JMH HMO Low Option

Number of Covered Participants

Actives	347
Retirees under age 65	17
Eligible spouses under age 65	10
Retirees age 65 and over	18
Eligible age 65 and over	4
Total	396

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 pre-65 cost is approximately 57% greater than the combined pre-65 and active cost. The post-65 retiree contributions also vary by plan and tier with the County contributing an average of 28% of the entire plan cost. For fiscal year 2008, the Seaport contributed \$117,000 to the plan.

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. The County'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.

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The County's annual OPEB cost for the fiscal year 2008, the first year of implementation of GASB Statement 45, and the related information for the plan is as follows (dollar amounts in thousands):

Annual required contribution	\$ 332
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	332
Contributions made	117
Increase in net OPEB obligation	215
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	215

The Seaport'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
9/30/2008	\$ 332	35.2%	\$ 215

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

**Schedule of Funding Progress
For the Retiree Health Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Un AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
10/1/2007	\$ -	\$ 3,515	\$ 3,515	0%	\$ 21,966	16%

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 presented as required supplementary information 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 the County and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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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%
Health care 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 contribution for retiree benefits will remain at 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.

During fiscal year 2007-08, \$215,000 was recorded as a long-term liability in the Seaport's financial statements representing the expense for the same period.

(12) Risk Management

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

Seaport properties are covered under the County's Master Property Insurance Program. The County purchases coverage through commercial carriers. The insurance program contains a \$5 million deductible per occurrence for most perils. A \$200 million deductible per occurrence applies to named windstorm losses. The current County wide limit for named windstorm is \$375 million (inclusive of deductible). Coverage for the Seaport's gantry cranes are provided through a combination of the County's program and a policy purchased by the crane management company. During fiscal years 2008 and 2007 there were no property damage claims at the Seaport that exceeded the commercial coverage.

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The County maintains no excess coverage with independent insurance carriers for the workers' compensation and general liability self-insurance programs. Premiums are charged to the various County departments based on amounts necessary to provide funding for current losses and to meet the required annual payments during the fiscal year. For the years ended September 30, 2008 and 2007, the Seaport incurred approximately \$1.8 million and \$2.0 million in insurance costs, respectively.

The estimated liability for reported and unreported claims of the self-insurance programs administered by RMD is determined annually based on the estimated ultimate cost of settling claims, past experience adjusted for current trends, and other factors that would modify past experience. Outstanding claims are evaluated through a combination of case-by-case reviews and the application of historical experience. The estimate of incurred, but not reported, losses are based on historical experience and is performed by an independent actuary. The long-term portion of the estimated liability is recorded in the internal service fund of the County and thus is not allocated down to the Seaport. This amount was \$1,113,299 and \$828,000 in fiscal years 2008 and 2007, respectively. At September 30, 2008 and 2007, the Seaport recorded current liabilities in the statement of net assets for self-insurance claims of approximately \$311,701 and \$270,000, respectively.

(13) Due from other governments

The Seaport has received state and federal grants for various cruise and cargo improvements including a harbor-dredging project. As of September 30, 2008 and 2007, total receivables were \$1.9 million and \$0.85 million, respectively. State grant receivables as of September 30, 2008 and 2007, totaled \$1.4 million and \$0.81 million, respectively, and are invoiced to the granting agency upon payment by the Seaport to the contractor. Federal grant receivables as of September 30, 2008 and 2007 were \$.5 million and \$.04 million, respectively, and are invoiced to the granting agency upon payment by the Seaport to the contractor.

(14) Related-party transactions

Various departments within the County provide goods, administration, public safety, maintenance and various other services to other operating departments. Charges for these services are determined using direct and indirect cost allocation methods or amounts determined based upon direct negotiations between the related parties. Charges for services provided to the Seaport by other County departments included as operating expenses in the accompanying statements of revenues, expenses and changes in fund net assets amounted to approximately \$20.3 million and \$20.3 million for the years ended September 30, 2008 and 2007, respectively. Additionally, approximately \$1.0 million was included in non-operating expenses in the accompanying statement of revenues, expenses and changes in fund net assets, representing reimbursements to other county departments for community based organizations expenses.

The following table presents a list of providers of services and respective charges for the years ended September 30, 2008 and 2007 (in thousands):

	<u>2008</u>	<u>2007</u>
Audit and Management Services	\$ 110	\$ 110
Fire	2,400	2,200
Fleet Management	1,119	1,111
General Fund	2,745	2,062
Information Technology	1,023	916
Miami-Dade Police	9,894	10,785
Public Works	154	213
Solid Waste	229	243
Miami-Dade Water and Sewer	2,065	2,000
Other	542	696
Total	<u>\$ 20,281</u>	<u>\$ 20,336</u>

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(15) Commitments, Contingencies and Guarantees

(a) Gantry Crane Maintenance Agreement

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

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

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

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

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

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

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

On August 5, 2002, the County and Crane Management entered into an Agreement for maintenance and management of the container handling cranes and cargo handling equipment at the Port. The term of the Agreement is for a period of five years with a renewal option for another five years at the County's sole discretion. Crane Management became fully operational in October 2002 and took over the maintenance of the Port's gantry cranes. Crane Management is responsible to a board of directors appointed by the Board of County Commissioners, the County Manager, the Port Director, and Port users. Container crane user revenues for fiscal years 2008 and 2007 were approximately \$7.9 million and \$8.5 million, respectively. These amounts can be

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found in the statements of revenues, expenses and changes in fund net assets. Container crane user expenses for fiscal years 2008 and 2007 were approximately \$7.6 million and \$10.0 million, respectively. These amounts can be found in the statements of revenues, expenses and changes in fund net assets.

(b) Cruise Terminal Usage Agreements and Terminal Operating Agreement

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

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

(c) Dredging Project

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

On January 24, 2006, the County and bond company reached a settlement whereby the bond company waived all rights to counterclaims and agreed to pay a total of \$22.5 million to the Seaport Department. On February 24, 2006, the Seaport received \$21.3 million with additional payments totaling \$1.25 million to be made in subsequent fiscal years. In fiscal year 2007, the Seaport received \$625,000 and the remaining balance of \$625,000 was received in fiscal year 2008. As of September 30, 2008, the Seaport recorded a liability of approximately \$1.1 million due to the U.S. Army Corp of Engineers (USACOE), representing the final payment for the Dredge II Project.

(d) Consent Order

During fiscal year 2002, the Miami-Dade County Board of County Commissioners authorized the County Manager to execute a Consent Order between the State of Florida Department of Environmental Protection ("FDEP") and Miami-Dade County for settlement of Miami Harbor dredging permit violations committed by the Seaport's former dredging contractor. Accordingly, the Seaport has recognized an expense and related liability for the fiscal year 2002 in the amount of \$2.5 million. In fiscal year 2008, the Seaport accrued an additional \$730,697 to satisfy the Consent Order. As of September 30, 2008 and 2007, \$3.1 million and \$2.4 million was the remaining balance, respectively. The County is pursuing potential reimbursement opportunities through the United States Corps of Engineers Miami Federal Harbor Project.

(e) Building Lease Agreement

The Seaport entered into an office building lease agreement (the "Lease Agreement") with one of its cruise line customers (the "Lessee") to finance and construct an office building and related

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

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

(f) Litigation

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

(g) Federal and State Grants

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

(h) Arbitrage Rebate Liability

Federal tax law requires that arbitrage interest earnings be remitted to the federal government, unless the local government qualifies for an exemption. In fiscal year 2008, the Seaport did not record any liability and recorded liability of \$0.9 million in fiscal year 2007, of interest earned on bond proceeds invested in taxable securities in excess of interest cost. Arbitrage rebates are payable five years from the date of the bond issuance and each five years thereafter and is recorded as other liability in the financial statements.

(i) Construction

The Department had contractual commitments of \$97.9 million and \$90.2 million in construction commitments, which include cruise and cargo improvements and other infrastructure improvements and new construction at September 30, 2008 and 2007, respectively.

(j) Implementation of New Accounting Standards

In December 2006, the GASB issued Statement 49 - *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement provides guidance on how to calculate and report the cost and obligations associated with pollution cleanup efforts. The requirements of this statement become effective for fiscal periods beginning after December 15, 2007. The Seaport expects to comply with the provisions of this statement at the appropriate time.

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In June 2007, the GASB issued Statement 51 - *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. An absence of sufficiently specific authoritative guidance has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The Seaport expects to comply with the provisions of this statement at the appropriate time.

In November 2007, the GASB issued Statement 52 - *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2008. The Seaport expects to comply with the provisions of this statement at the appropriate time.

In June 2008, the GASB issued Statement 53 - *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swap options, forward contracts, and futures contracts. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2009. The Seaport expects to comply with the provisions of this statement at the appropriate time.

(k) Subsequent Events

In December 2008, the Board of County Commissioners approved a new agreement with a cruise partner. The new long-term agreement will enhance the Seaport's revenue stream and contributes to increasing the dollar value and percentage of the Seaport's annual guaranteed revenues.

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