



Delivering Excellence Every Day

2005

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Miami-Dade Aviation Department

2005
Comprehensive Annual Financial Report

(This page intentionally left blank)



2005 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Miami-Dade County Aviation Department
A Department of Miami-Dade County, Florida

For the Fiscal Year Ended September 30, 2005

Prepared by:
Finance & Strategy Division



2005
Comprehensive Annual Financial Report

(This page intentionally left blank)

2005 Comprehensive Annual Financial Report

Table Of Contents

Miami-Dade County Elected officials / Commissioners & Miami-Dade Aviation Department Senior Staff

	Page
<i>Introductory Section</i>	
GFOA Certificate of Achievement	III
Organizational Chart	IV
Letter of Transmittal	V-IX
<i>Financial Section</i>	
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements:	
Statements of Net Assets	10
Statements of Revenue, Expenses and Changes in Net Assets	12
Statements of Cash Flows	13
Notes to Financial Statements	15 - 42
<i>Statistical Section</i>	
Landed Weight Information	45
Annual Enplaned Passengers	46
Annual Deplaned Passengers	47
Flight Operations	48
Air Cargo Activity	49
Landing Fees	50
Revenue Information	51 – 56
Cash/Investments and Yields	57
Schedule of Statistical Information	58
Schedule of Revenues and Expenses	59
Debt Service Coverage	60
Top Ten Passenger Carriers	61
Major Employers in Miami-Dade County	62
Airlines Serving Miami International Airport	63 - 65

MIAMI-DADE COUNTY

Carlos Alvarez
Mayor

**BOARD OF COUNTY
COMMISSIONERS**

Joe A. Martinez
Chairman

Dennis C. Moss
Vice Chairman

Barbara J. Jordan
District 1

Katy Sorenson
District 8

Dorrian D. Rolle
District 2

Dennis C. Moss
District 9

Audrey M. Edmonson
District 3

Senator Javier D. Souto
District 10

Sally A. Heyman
District 4

Joe A. Martinez
District 11

Bruno A. Barreiro
District 5

José "Pepe" Diaz
District 12

Rebeca Sosa
District 6

Natacha Seijas
District 13

Carlos A. Gimenez
District 7

*For the Fiscal Year Ended September 30, 2005
Prepared by: Finance & Strategy Group*

Harvey Ruvin
Clerk of Courts

George M. Burgess
County Manager

Murray Greenberg
County Attorney

MIAMI-DADE AVIATION DEPARTMENT
SENIOR STAFF



José Abreu
Aviation Director



Bruce Drum
Deputy Director



John Cospser
Deputy Director



Susan Warner Dooley
Chief Financial Officer



Bobbie Phillips
*Assistant Director
for Administration*



Narinder Jolly
*Assistant Director
for Facilities Development*



Max Fajardo
*Assistant Director
for Facilities Management*



Miguel Southwell
*Assistant Director
for Business Development*



Lauren Stover
*Assistant Director
for Communications &
Security Initiatives*



Ana Sotorrio
*Associate Director
for Governmental Affairs*



Anne Syrcle Lee
*Associate Director
for Standards &
Compliance*



Howard Gregory
*Associate Director
for Minority Affairs*

2005
Comprehensive Annual Financial Report

(This page intentionally left blank)

2005
Comprehensive Annual Financial Report

Introductory Section



MIAMI-DADE AVIATION DEPARTMENT
Miami-Dade County, Florida



2005
Comprehensive Annual Financial Report

(This page intentionally left blank)

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Miami-Dade County
Aviation Department,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

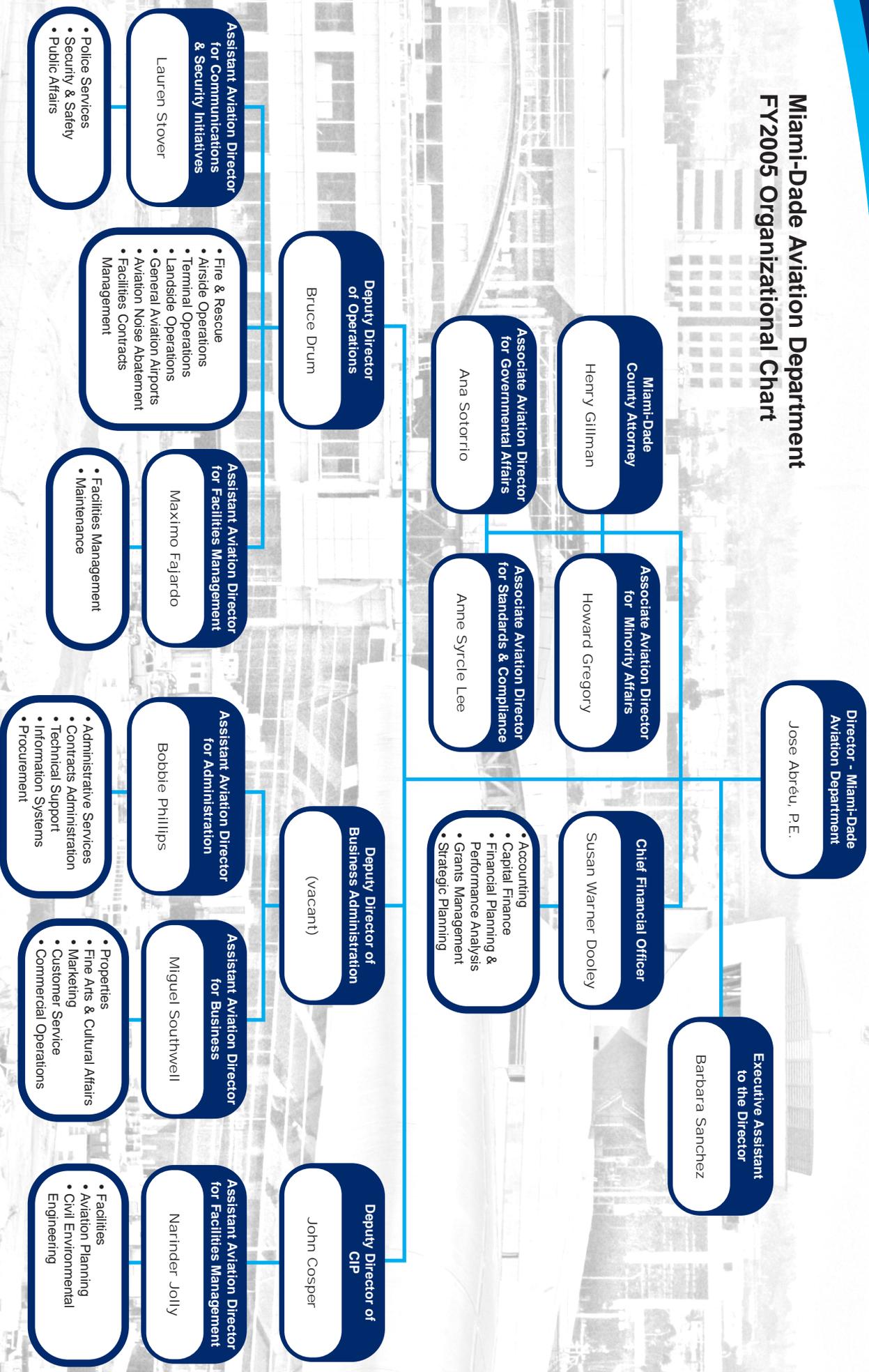
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Miami-Dade Aviation Department FY2005 Organizational Chart





March 29, 2006

Hon. Carlos Alvarez
County Mayor

Hon. Mr. Joe A. Martinez, Chairman, and Members
Board of County Commissioners

Mr. George Burgess
County Manager

Mr. Harvey Ruvlin, Clerk
Miami-Dade County Courthouse

Gentlemen:

The Comprehensive Annual Financial Report of the Miami-Dade Aviation Department (“the Aviation Department” or “MDAD”) for the Fiscal Year ended September 30, 2005, is hereby submitted. Responsibility for both the accuracy and completeness and fairness of presentation, including all disclosures, rests with the Aviation Department. This report presents fairly, and discloses fully, in all material respects, the financial position and results of operations of the Aviation Department.

The Report is comprised of three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter which includes a profile of the organization and its operating environment, a list of principal officials and the Aviation Department’s organizational chart. The financial section includes Management’s Discussion and Analysis (MD&A) of financial condition of the Aviation Department, followed by the Department’s Financial Statements and Notes to the Financial Statements. The statistical section discloses selected financial trends and operational information of the Aviation Department, and social and economic data relating to the community.

The Aviation Department is also required to be audited in accordance with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-Profit Organizations, and the Florida Single Audit. Information related to the single audit, including the schedule of expenditures of Federal Awards and State Financial Assistance, schedule of findings and questioned costs, and the Certified Public Accountants’ reports on the internal control structure and compliance with applicable laws and regulations, are reported under a separate cover.

PROFILE OVERVIEW

The Aviation Department operates as an enterprise fund of Miami-Dade County (“the County”). An enterprise fund is used to account for the financing of services to the general public on a continuing basis with costs recovered primarily through use charges. The County owns Miami International Airport (“MIA”) and three general aviation airports and two training airports (“the Airport System”), all of which are operated by the Aviation Department.

The County operates the Airport System through the Aviation Department with policy guidance from the Mayor, the Board of County Commissioners of Miami-Dade County, Florida (the “Board”), and the County Manager. The Aviation Department is an Enterprise Fund of the County. The Airport System previously included two separate main funding sources - Port Authority Properties (“PAP”) and Aviation Development Facilities (“ADF”). PAP includes all properties financed or refinanced with bonds issued under the Amended and Restated Trust Agreement. ADF included all properties financed or refinanced with bonds issued under a Master Resolution adopted by the Board in December 1984, as amended and supplemented (the “Master Resolution”) and other properties. As of June 1, 2003, Port Authority Properties acquired Aviation Development Facilities and, upon the acquisition of ADF by PAP, the Aviation Department is now operating the Airport System as a single financial enterprise, and all revenues derived from the use and occupancy of the Airport System are Revenues of the Port Authority Properties.



Economic Conditions and Outlook

Miami International Airport (MIA) continues to be an economic engine for Miami-Dade County and the State of Florida. An economic impact study released in 2005 reports that MIA has an annual impact on local tourism, cruise, international banking, trade and commerce of \$19.1 billion. MIA and related aviation industries contribute 242,387 jobs directly and indirectly to the South Florida economy, responsible for one out of every 4.3 jobs.

The Airport is the major trans-shipment point between the Americas, Caribbean and Europe, with an extensive route structure that serves approximately 140 cities on four continents. MIA has substantial market share of the Latin American and Caribbean passenger traffic, handling 54 percent of the South American market, 38 percent of Central America and 28 percent of the Caribbean market. With 46 percent of total passenger traffic being international, MIA is among one of two top airports in the U.S. with the highest international-to-domestic passenger ratios.

MIA leads the Americas in international air cargo with 84 percent of total tonnage, or more than 1.5 million annual tons of international freight. MIA's total air trade is valued at nearly \$26 billion annually, or 94 percent of the dollar value of Florida's total air imports and exports, and 33 percent of the State's total (air and sea) trade with the world. As the center for hemispheric air trade, MIA now handles 82 percent of all air imports and 77 percent of all air exports between the United States and the Latin American/Caribbean region. MIA is the USA's leading airport in the handling of perishable products, handling 69 percent of all perishable products, 88 percent of all cut-flower imports, 66 percent of all fish imports, and 55 percent of all fruit and vegetable imports.

PASSENGER ACTIVITY

During Fiscal Year 2005, 30,912,091 passengers transited through MIA, up 2.21 percent compared to Fiscal Year 2004. Domestic traffic increased by 2.3 percent to 16,637,066, or 54 percent of the total. International traffic accounted for 46 percent or 14,275,025 passengers, which was up 2.1 percent. MIA is ranked third in the U.S. for international passengers.

A diverse group of airlines provides passenger service at the Airport including 37 U.S. airlines and 42 foreign-flag carriers in Fiscal Year 2005.

Freight Activity

Freight tonnage totaled 1,921,976 tons in Fiscal Year 2005, resulting in an increase of 1.55 percent. International freight ended the year up two percent with 1,608,254 tons. Domestic freight totaled 313,723 tons, down one percent. MIA remains the number one airport in the U.S. for international freight.

MIA's cargo facility development program that began in 1992 has been completed, providing the Airport with over 2.7 million square feet of space in 17 new cargo buildings. Apron space has grown to over 3.8 million square feet, capable of handling 17 B747s or 38 DC-10F's.

AIRLINE AGREEMENTS

The County has entered into separate but identical Airline Use Agreements with Airlines using MIA. The Airline Use Agreement, which is a 15-year agreement expiring in 2017, provides that the County, acting through its Board of County Commissioners, has the right to calculate landing fees using an airport system residual cost methodology for the Port Authority Properties so that revenues from landing fees together with revenues from other sources will be sufficient to meet the requirements of the Rate Covenant and other requirements.

The County has entered into separate, but substantially similar Terminal Building Lease Agreements with airlines. Under these agreements, airlines have no obligation to make real property investments in terminal facilities or equipment, although most airlines make relatively modest investments in tenant improvements to their premises and in personal property to support their operations.

Cost Per Enplaned Passengers

Airline charges from landing fees and for terminal rents and user fees at MIA in Fiscal Year 2005 were \$16.94 per enplaned passenger.

Passenger Facility Charges (PFC)

The FAA authorized the Aviation Department to impose a PFC of \$3 per passenger commencing November 1, 1994. Subsequently on October 21, 2001, the FAA approved a revised PFC collection level of \$4.50 with an effective date of January 1, 2002. On December 2002, the FAA approved a PFC application that enables the Aviation Department to use PFC revenues to pay debt service for the approved projects, all of which are included in Phase 1 of the Aviation Department's Capital Improvement Program. Per FAA PFC regulations, net receipts from PFCs are restricted to be only used on these FAA approved capital projects and related financing costs.

The Aviation Department has been authorized to collect PFCs in the estimated amount of \$2.757 billion including interest. The authorization is expected to expire October 1, 2037. The amount of PFC collections from inception through September 30, 2005 was \$448.1 million and with interest was \$489.2 million. Of this amount, the Aviation Department has expended \$242.4 million. As of September 30, 2005, the Aviation Department had a cash balance of \$247 million in the PFC account.

Capital Improvement Program (CIP)

In July 1999, the Board adopted a \$5.4 billion capital improvement program covering various programs for which construction had commenced or was scheduled to commence during the period Fiscal Year 1995 through Fiscal Year 2005, inclusive. Pursuant to the Airline Use Agreements, the projects comprising this program are not subject to review by a Majority-in-Interest of the airlines that are members of the Miami Airlines Affairs Committee, and the Aviation Department may modify the scope to each program provided that the revised estimate of project costs do not exceed approved project costs by more than 25 percent.

In March 2002, the Board adopted a \$7.2 billion Capital Improvement Program (the "CIP") and a plan for Phase implementation based on a priority of needs and on projections of enplaned passengers, available sources of funding, expenses, revenues, effects on user fees, and other factors. Phase 1 of the CIP (the "CIP Phase 1") includes \$4.8 billion in project costs and covers projects whose construction commenced or is scheduled to commence during the period Fiscal Year 1995 to Fiscal Year 2005, inclusive.

The Board has by three separate ordinances authorized MDAD to issue up to \$4.8 billion of Bonds under the Trust Agreement to finance the costs of certain projects. These Bonds, however, may not be issued without approval of specific bond series resolutions by the Board. Future authorizations will be required to issue Bonds for projects that are not yet covered by existing ordinances.

Tenant Financed Facilities

Because of the significant size of the CIP, MDAD has decided, as a matter of policy, to permit tenants of airside facilities to construct desired buildings with their own financing. Accordingly, certain hangars and cargo facilities (including those for Federal Express, UPS, Lan Airlines, and United) have been constructed with private financing. Such improvements do not constitute county-owned properties until the financing of such improvements has been paid. Such payment may be either through buy-out or terms long enough to accommodate amortization.

MAJOR INITIATIVES & LONG-TERM FINANCIAL PLANNING

Of the \$5.2 billion total Capital Improvement Program (CIP), approximately \$1.7 billion has been completed and is in use, including nine gates in the Concourse D extension. Construction is progressing on \$3 billion worth of contracts, and \$500 million worth of projects are in planning, design, bid and award phases. Such payment may be either through buyout or terms long enough to accommodate amortization.

Since the redevelopment of MIA began more than 10 years ago, the Terminal building has gone from 3.5 million square feet to the current 4.7 million square feet, including a new Concourse A and a completely rebuilt Concourse H. Upon completion of the CIP, the Terminal building will total 7.4 million square feet, more than doubling in size.

The South Terminal Development reached 75 percent completion in 2005 and is scheduled for completion by the end of 2006. The

project will provide approximately one and a half million square feet of new terminal space that includes: 1,000 feet of new landside curb space; 300,000 square feet of new space in Concourse J with 15 international/domestic swing gates; conversion of Concourse H to an international-capable concourse with eight swing gates; a new Federal Inspection Services (FIS) facility; a cruise and tour bus station; 50,000 square feet of new concession space; and a gate control tower.

The North Terminal Development (NTD) Program continues towards a 2009 completion. Encompassing more than 3.2 million square feet of new and renovated space, the NTD is a complex, multi-phased airside construction program that has been planned to avoid unnecessary disruption to ongoing airport operations. In June 2005, the Miami-Dade Board of County Commissioners approved legislation that allowed the Miami-Dade Aviation Department to assume jurisdictional oversight of the NTD from American Airlines, and also awarded the Parsons Odebrecht Joint Venture with a contract to complete the project. Approximately \$40 million in construction is in progress, and a substantial portion of the remaining work is expected to be awarded in 2006.

Other major projects in progress include the Central Chiller Plant Expansion, which will increase the plant's capacity in order to meet the rising cooling loads resulting from the expansion program. Also in progress is development of a new telecommunication and data support network to provide efficient ticketing, Flight Information Displays (FIDs), Baggage Information Displays (BIDs), Access Control, CCTV systems, gate and ticket counter management, paging, security, shared tenant services and building management systems; and numerous utilities and drainage projects.

The Capital Improvement Program is the critical path to success for MIA, as its completion allows existing and prospective carriers to expand their operations in South Florida.

Risk Management

The Aviation Department participates in both insured and self-insured programs administered by the County. Workers' Compensation is completely self-insured. Property, tort liability, and automobile liability coverages are a combination of self-insured retentions and insurance through independent insurance carriers. Group health and life insurance programs are a combination of insured and self-insured programs. The self-insured portion is administered by an independent administrator.

OTHER INFORMATION

Independent Audit

The financial statements for Fiscal Year 2005 were audited by KPMG LLP, and their opinion resulting from their examination is included in this Comprehensive Annual Financial Report. Their audit was made in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in governmental auditing standards, issued by the Controller General of the United States, and included other procedures as required by the State of Florida. The scope of the audit was sufficient to satisfy State, Federal and County requirements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Aviation Department for its Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2004. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the Aviation Department had to publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. This Comprehensive Annual Financial Report must satisfy both accounting principles generally accepted in the United States and applicable legal requirements.

A Certificate of Achievement is valid for one year only. The Aviation Department has received a Certificate of Achievement for the last thirteen consecutive years (Fiscal Years 1992-2004). We believe that our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

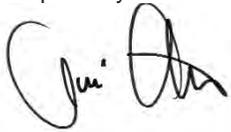
Organizational Chart

During the fiscal year, José Abreu, P.E. joined the Aviation Department in the capacity of Aviation Director. Bruce Drum was appointed Aviation Deputy Director and Susan Warner Dooley, was appointed Chief Financial Officer.

ACKNOWLEDGEMENTS

This report could not have been presented on a timely basis without the dedicated services of the Finance & Strategy Group and the Public Affairs Office. We sincerely appreciate their time and thank them for their valuable contributions. The Aviation Department also thanks the County Mayor, the County Manager and the Board of County Commissioners for providing their continued support to the Aviation Department and enabling us to successfully operate the Airport System.

Respectfully submitted,



José Abreu, P.E.
Aviation Director



Susan Warner Dooley
Chief Financial Officer

2005
Comprehensive Annual Financial Report

(This page intentionally left blank)

2005
Comprehensive Annual Financial Report

Financial Section



2005
Comprehensive Annual Financial Report

(This page intentionally left blank)



MIAMI-DADE COUNTY AVIATION DEPARTMENT

Financial Statements

September 30, 2005 and 2004

(With Independent Auditors' Report Thereon)

MIAMI-DADE COUNTY AVIATION DEPARTMENT
Financial Statements and Other Supplementary Information
September 30, 2005 and 2004

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements:	
Statements of Net Assets	10
Statements of Revenues, Expenses, and Changes in Net Assets	12
Statements of Cash Flows	13
Notes to Financial Statements	15



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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Miami-Dade County Aviation Department (the Aviation Department), an enterprise fund of Miami-Dade County, as of and for the years ended September 30, 2005 and 2004, which collectively comprise the Aviation Department's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Aviation Department'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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aviation Department'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 the 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(a), the financial statements present only the Aviation Department and do not purport to, and do not, present fairly the financial position of Miami-Dade County, Florida (the County), as of September 30, 2005 and 2004, and the changes in its financial position and 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 Aviation Department, an enterprise fund of Miami-Dade County, as of September 30, 2005 and 2004, and the changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As described in note 2(t) to the basic financial statements, the Aviation Department adopted the provision of Government Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2006, on our consideration of the Aviation Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in



accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

March 10, 2006
Certified Public Accountants

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Management's Discussion and Analysis

September 30, 2005 and 2004

(Unaudited)

Introduction

The following discussion and analysis of the financial performance and activity of the Aviation Department is to provide an introduction and understanding of the financial statements of the Aviation Department for the years ended September 30, 2005 and 2004. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Aviation Department operates an Airport System consisting of Miami International Airport (MIA), three general aviation airports, Opa-locka Airport, Homestead General Airport, Kendall-Tamiami Executive Airport and two training airports.

The Aviation Department operates as an enterprise fund of Miami-Dade County, Florida (the County). The Department is self-supporting, using aircraft landing fees, fees from terminal and other rentals, and revenues from concessions to fund operating expenses. The Capital Improvement Program (CIP) is funded by bonds, federal and state grants, and Passenger Facility Charges (PFCs).

Required Financial Statements

The Aviation Department's financial report includes three financial statements: the statements of net assets, the statements of revenues, expenses and changes in net assets and the statements of cash flows. The financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The Aviation Department is structured as a single enterprise fund with revenues recognized when earned and expenses recognized when incurred. Capital asset costs, with the exception of land and construction in progress, are capitalized and depreciated over their estimated useful lives. Certain net asset balances are restricted for debt service, construction activities and major maintenance-type activities.

The statements of net assets include all of the Aviation Department's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) as well as obligations to creditors and investors (liabilities). They also provide the basis for evaluating the capital structure of the Aviation Department and assessing liquidity and financial flexibility.

The statements of revenues, expenses, and changes in net assets report the operating revenues and expenses and nonoperating revenues and expenses of the Aviation Department for the fiscal year with the difference, net income or loss being combined with any capital contributions to arrive at the change in net assets for the fiscal year. These statements measure the success of the Aviation Department's operations over the past year and can be used to determine whether the Aviation Department has successfully recovered all its costs through its users' fees and other charges.

The statements of cash flows provide information about the Aviation Department's cash receipts and payments during the reporting period. The statements report cash receipts, cash payments and net changes in cash resulting from operating, investing, and capital and noncapital financing activities and provide an insight regarding sources providing cash and activities using cash.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Management's Discussion and Analysis

September 30, 2005 and 2004

(Unaudited)

Activity Highlights

Passenger traffic grew at MIA in fiscal year 2005 after being flat in previous years and experiencing a significant decline in fiscal year 2002 primarily due to the effect of the September 11th terrorist attack. Cargo tonnage continued to increase in fiscal year 2005 as the cargo market rebounded over prior years. Below is a comparison of these activities for fiscal years 2005, 2004, and 2003.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Enplanements	15,443,300	15,117,600	14,740,000
Landed weight (1,000 pounds)	31,148,500	31,899,500	31,610,000
Enplaned cargo (in tons)	847,200	813,700	718,300

Financial Highlights

- Net assets increased by \$44.3 million, or 5%, during fiscal year 2005. This was primarily due to a reduction in the environmental remediation liability of \$39.8 million based upon the 2005 Opinion of Cost Study.
- Total bonded debt decreased by \$54.1 million during fiscal year 2005, due primarily to the principal payments made on outstanding amounts.
- During fiscal year 2005, operating revenues were \$495.5 million, an increase of \$23.5 million or 5%, as compared to fiscal year 2004. During fiscal year 2004, operating revenues were \$472.0 million, an increase of \$20.8 million or 5%, as compared to fiscal year 2003.
- During fiscal year 2005, operating expenses, excluding depreciation and amortization, were \$343.6 million, a decrease of \$5.1 million or 1%, as compared to fiscal year 2004. During fiscal year 2004, operating expenses, excluding depreciation and amortization, were \$348.7 million, an increase of \$7.9 million or 2%, as compared to fiscal year 2003.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Management's Discussion and Analysis

September 30, 2005 and 2004

(Unaudited)

The table below shows the composition of assets, liabilities and net assets as of September 30, 2005, 2004 and 2003.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
		(In thousands)	
Current assets:	\$ 467,748	495,380	454,486
Noncurrent assets			
Restricted assets	316,142	436,806	656,150
Capital assets, net	3,978,777	3,609,761	3,186,232
Other assets	41,489	45,087	37,234
Total assets	<u>4,804,156</u>	<u>4,587,034</u>	<u>4,334,102</u>
Current liabilities	88,412	88,858	99,291
Current liabilities payable from restricted assets	261,853	286,558	253,097
Noncurrent liabilities	3,517,412	3,319,453	3,118,677
Total liabilities	<u>3,867,677</u>	<u>3,694,869</u>	<u>3,471,065</u>
Net assets:			
Invested in capital assets, net of debt	779,146	780,283	785,893
Restricted	149,517	220,541	158,285
Unrestricted deficit	7,816	(108,659)	(81,141)
Total net assets	<u>\$ 936,479</u>	<u>892,165</u>	<u>863,037</u>

Capital assets, net, as of September 30, 2005, were \$4.0 billion, \$369 million higher than at September 30, 2004. As of September 30, 2004, capital assets, net, were \$3.6 billion, \$424 million higher than at September 30, 2003. These increases were primarily in the category of Construction in Progress due to the ongoing Capital Improvement Program.

Total net assets as of September 30, 2005 were \$936.5 million, an increase of \$44.3 million as compared to fiscal year 2004. This was primarily due to a reduction in the environmental remediation liability of \$39.8 million based upon the 2005 Opinion of Cost Study. The reduction in cost is primarily due to a change in the regulations requirements resulting in a reduction in cost for specific projects. Total net assets as of September 30, 2004 were \$892.2 million, an increase of \$29.1 million as compared to fiscal year 2003. This was primarily due to a \$15.8 million one-time nonrecurring adjustment related to the capitalization of interest on debt related to the commercial paper refunding.

In fiscal years 2004 and 2003, unrestricted net assets reflected deficits that resulted in part from the effects of noncash accruals for unfunded environmental remediation liabilities. These accruals were reduced in fiscal year 2005.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Management's Discussion and Analysis

September 30, 2005 and 2004

(Unaudited)

Changes in net assets can be determined by reviewing the following summary of revenue, expenses, and changes in net assets for the years ended September 30, 2005, 2004, and 2003.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
		(In thousands)	
Operating revenue:			
Aviation fees	\$ 213,481	208,026	197,084
Rentals	89,255	91,167	88,609
Commercial Operations	139,623	171,545	165,245
Other operating	13,364	1,279	308
Other – environmental remediation	39,758	—	—
Nonoperating revenues:			
Investment income	11,616	6,218	7,950
Passenger facility charges	59,571	58,472	51,657
Other	18,420	1,284	10,539
Total revenues	<u>585,088</u>	<u>537,991</u>	<u>521,392</u>
Operating expenses:			
Operating expenses	220,412	196,925	212,708
Operating expenses – environmental remediation	4,893	24,659	8,980
Operating expenses – commercial operations	53,353	79,259	78,080
General and administrative expenses	64,895	47,819	40,992
Depreciation and amortization	109,169	103,971	97,902
Non-operating expenses:			
Interest expense	113,535	87,762	126,754
Other	—	—	5,973
Total expenses	<u>566,257</u>	<u>540,395</u>	<u>571,389</u>
Income (loss) before capital contributions	18,831	(2,404)	(49,997)
Capital contributions	<u>25,483</u>	<u>31,532</u>	<u>62,845</u>
Change in net assets	44,314	29,128	12,848
Net assets at beginning of year	<u>892,165</u>	<u>863,037</u>	<u>850,189</u>
Net assets at end of year	<u>\$ 936,479</u>	<u>892,165</u>	<u>863,037</u>

Total revenues for the fiscal year 2005, were \$585.1 million, an increase of \$47.1 million or 9%, as compared to fiscal year 2004. Operating revenues for fiscal year 2005 were \$495.5 million, an increase of \$23.5 million or 5%, as compared to fiscal year 2004. The increase is due primarily to a reduction in the environmental remediation liability of \$39.8 million. The increases are offset by a reduction in commercial operations—management revenue in the amount of approximately \$31.9 million resulting from the nonrenewal of several retail contracts. The increase in other nonoperating revenue is primarily due to \$12.0 million resulting from the Department of Transportation, Office of Inspector General (OIG) revenue diversion audit, whereby the County is to reimburse the Aviation Department. Total revenues for the fiscal year 2004, were \$538.0 million, an increase

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Management's Discussion and Analysis

September 30, 2005 and 2004

(Unaudited)

of \$16.6 million or 3%, as compared to fiscal year 2003. Operating revenues for fiscal year 2004 were \$472.0 million, an increase \$20.8 million or 5%, as compared to fiscal year 2003. The increase is due primarily to an increase in aviation fees of \$10.9 million due to an increase in the land fee rate, an increase of \$2.6 million in rental revenues due to the implementation of the Common Use Terminal Equipment (CUTE) and an increase of \$6.3 million in commercial operations primarily due to price increases for parking and higher commercial sales from the increase in enplanements.

Total expenses, including depreciation and amortization, for the fiscal year 2005 were \$566.3 million, an increase of \$25.9 million or 5%, as compared to fiscal year 2004. This resulted primarily from a reduction in interest expense in 2004, which included a \$15.8 million one-time, nonrecurring adjustment relating to the refunding of debt. Operating expenses for fiscal year 2005 were \$343.6 million, a decrease of \$5.1 million or 1%, as compared to fiscal year 2004. Total expenses, including depreciation and amortization, for the fiscal year 2004 were \$540.4 million, a decrease of \$31.0 million or 5%, as compared to fiscal year 2003. This resulted primarily from a reduction in interest expense of \$39.0 million, which included a \$15.8 million one-time, nonrecurring adjustment relating to the refunding of debt. Operating expenses for fiscal year 2004 were \$348.7 million, an increase of \$7.9 million or 2%, as compared to fiscal year 2003. This resulted primarily from an unfavorable net adjustment of \$17.0 million to environmental remediation expenses and an increase in general and administrative expenses of \$6.8 million, offset by lower operating expenses under the category of outside contractual services for repairs and maintenance.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2005 and 2004, the Aviation Department had \$4 billion and \$3.6 billion, respectively, invested in capital assets, net of accumulated depreciation.

The following table summarizes the composition of capital assets, net of accumulated depreciation as of September 30, 2005, 2004 and 2003.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
		(In thousands)	
Land	\$ 89,500	89,500	90,600
Buildings and improvements	1,523,753	1,455,828	1,354,729
Utility plants and systems	112,748	104,846	82,138
Roads, bridges, and other improvements	665,571	658,724	588,933
Furniture, fixtures, and machinery and equipment	113,121	92,088	90,998
	<u>2,504,693</u>	<u>2,400,986</u>	<u>2,207,398</u>
Construction in progress	1,474,084	1,208,775	978,834
Total capital assets, net	<u>\$ 3,978,777</u>	<u>3,609,761</u>	<u>3,186,232</u>

Construction in Progress increased by a net \$265.3 million or 22% during 2005, due to the ongoing Capital Improvement Program.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Management's Discussion and Analysis

September 30, 2005 and 2004

(Unaudited)

The CIP consists of 310 projects with a budgeted cost of approximately \$5.2 billion for construction through fiscal year 2015. As of September 30, 2005, the status of these projects can be described as follows:

- 207 projects completed \$1.7 billion
The completed projects include the new Northside Runway (9/27), Concourse A Terminal Expansion, the Central Collection Plaza, the Park 7 Garage, security projects and the entire Westside Cargo Development Program.
- 59 projects under construction \$3.0 billion
The North Terminal and the South Terminal projects will add approximately 3 million square feet of terminal, concourse, administrative and concessions space to MIA. The Central Chiller Plant will provide air conditioning for these terminal projects.
- 44 projects in design and planning \$0.5 billion
The MIA Mover, the rehabilitation of several existing runways at MIA and Kendall-Tamiami Executive Airport, life safety projects in the Central Terminal and drainage improvement projects on the northside of MIA.

Additional information on the Aviation's Department's capital assets can be found in note 5 of this report.

Debt Administration

As of September 30, 2005 and 2004, the Aviation Department had a total of \$3.1 billion and \$3.2 billion, respectively in long-term revenue bonds outstanding. The long-term debt consists of Aviation Revenue Bonds issued under a Trust Agreement. Maturity dates range from 2006 to 2041, and the interest rates range from 3.1% to 8.8%. Both principal and interest are payable solely from net revenues generated from the airport facilities constructed under the provisions of the Trust Agreement. The Revenue Bonds do not constitute debt of the County or a pledge of the full faith and credit of the County. In addition to net revenues, the Aviation Department used \$35 million of PFC revenue to pay principal and interest due in fiscal year 2005.

The Aviation Department initiated a Commercial Paper program in July 2000, with the authorization by the Board of County Commissioners (the Board), of \$400,000,000 Aviation Commercial Paper Notes with maturities not to exceed 270 days. As of September 30, 2005 and 2004, the Aviation Department had \$313,626,000 and \$30,111,000 plus accrued interest outstanding of Aviation Commercial Paper Notes.

The ratings for the Aviation Department's Series 2004A, 2004B, and 2004C were A- with stable outlook, A1 with stable outlook and A with negative outlook per Standard and Poor's Rating Services, Moody's Investors Service, Inc. and Fitch Ratings, respectively.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Management's Discussion and Analysis

September 30, 2005 and 2004

(Unaudited)

The insured ratings of Aaa, AAA and AAA, respectively, were upon issuance of a policy by Financial Guaranty insuring principal and interest for Series 2004A, 2004B and 2004C, when due.

Additional information of the Aviation Department's debt administration can be found in note 6 of this report.

Economic Factors and Outlook

The airline rates and charges at MIA continue to increase due to the issuance of additional debt required for the Department's on-going Capital Improvement Program and due to increases in operating expenses. Under the current airline rate structure, the Aviation Department calculates the airline rates and charges on a residual cost recovery basis and therefore is able to pass along these increases in costs to the MIA air carriers. This trend is expected to continue until the Aviation Department completes its terminal projects as well as the MIA Mover, a train connecting to a multimodal transportation area just outside the Airport premises, under the Capital Improvement Program. The landing fee rate for fiscal year 2005 is \$2.10 as compared to \$2.03 for fiscal year 2004.

Request for Information

This financial report is designed to provide customers, creditors and other interested parties with a general overview of the Aviation Department's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed in writing to the Finance Manager, Miami-Dade Aviation Department, 4200 N.W. 36th Street, Suite 300, Miami, Florida 33122.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Statements of Net Assets

September 30, 2005 and 2004

(In thousands)

Assets	<u>2005</u>	<u>2004</u>
Current assets:		
Cash and cash equivalents (including restricted assets of \$17,998 in 2005 and \$0 in 2004)	\$ 86,955	113,262
Investments, including interest receivable (including restricted assets of \$243,855 in 2005 and \$286,558 in 2004)	329,349	337,637
Accounts receivable, net of allowance for doubtful accounts of \$10,692 in 2005 and \$6,540 in 2004	31,804	38,839
Inventories, prepaid expenses and deferred charges	5,875	3,563
Due from County Agencies	<u>13,765</u>	<u>2,079</u>
Total current assets	<u>467,748</u>	<u>495,380</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	302,623	363,971
Investments, including interest receivable	—	46,689
Government grants receivable	8,281	21,344
Passenger facility charges receivable	<u>5,238</u>	<u>4,802</u>
Total noncurrent restricted assets	316,142	436,806
Capital assets:		
Land	89,500	89,500
Construction in progress	1,474,084	1,208,775
Buildings, improvement, and systems	2,471,986	2,340,616
Infrastructure	1,069,702	1,033,200
Furniture, equipment, and machinery	267,974	229,795
Less accumulated depreciation	<u>(1,394,469)</u>	<u>(1,292,125)</u>
Capital assets, net	3,978,777	3,609,761
Other noncurrent assets	<u>41,489</u>	<u>45,087</u>
Total noncurrent assets	<u>4,336,408</u>	<u>4,091,654</u>
Total assets	<u>\$ 4,804,156</u>	<u>4,587,034</u>

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Statements of Net Assets

September 30, 2005 and 2004

(In thousands)

Liabilities and Net Assets	2005	2004
	<hr/>	<hr/>
Current liabilities payable from unrestricted assets:		
Accounts payable and accrued expenses	\$ 26,109	23,739
Security deposits	9,081	9,012
Environmental remediation liability	31,317	29,773
Compensated absences	7,123	6,698
Deferred revenues	3,583	4,917
Due to County Agencies	11,199	14,719
	<hr/>	<hr/>
Total current liabilities payable from unrestricted assets	88,412	88,858
Current liabilities payable from restricted assets:		
Accounts and contracts payable and other liabilities	125,855	138,852
Bonds payable within one year:		
Trust Agreement Aviation Revenue Bonds	57,245	66,610
Interest payable	78,753	81,096
	<hr/>	<hr/>
Total current liabilities payable from restricted assets	261,853	286,558
Noncurrent liabilities:		
Trust Agreement Aviation Revenue Bonds payable after one year	3,052,629	3,097,346
Commercial paper notes	313,626	30,111
Deferred rental credits	11,075	11,854
Compensated absences, net of current portion	21,082	19,841
Environmental remediation liability, net of current portion	119,000	160,301
	<hr/>	<hr/>
Total noncurrent liabilities	3,517,412	3,319,453
Total liabilities	<hr/>	<hr/>
	3,867,677	3,694,869
Net assets:		
Invested in capital assets, net of related debt	779,146	780,283
Restricted	149,517	220,541
Unrestricted deficit	7,816	(108,659)
	<hr/>	<hr/>
Total net assets	\$ 936,479	892,165
	<hr/>	<hr/>

See accompanying notes to financial statements.

MIAMI-DADE COUNTY AVIATION DEPARTMENT
Statements of Revenues, Expenses, and Changes in Net Assets
Years ended September 30, 2005 and 2004
(In thousands)

	<u>2005</u>	<u>2004</u>
Operating revenue:		
Aviation fees	\$ 213,481	208,026
Rentals	89,255	91,167
Commercial operations:		
Management agreements	62,103	98,371
Concessions	77,520	73,174
Other	13,364	1,279
Other – environmental remediation	39,758	—
Total operating revenue	<u>495,481</u>	<u>472,017</u>
Operating expenses:		
Operating expenses	220,412	196,925
Operating expenses – environmental remediation	4,893	24,659
Operating expenses under management agreements	22,132	48,824
Operating expenses under operating agreements	31,221	30,435
General and administrative expenses	64,895	47,819
Total operating expenses before depreciation and amortization	<u>343,553</u>	<u>348,662</u>
Operating income before depreciation and amortization	151,928	123,355
Depreciation and amortization	<u>109,169</u>	<u>103,971</u>
Operating income	<u>42,759</u>	<u>19,384</u>
Nonoperating revenue (expenses):		
Environmental cost recovery	1,793	134
Passenger facility charges	59,571	58,472
Interest expense	(113,535)	(87,762)
Investment income	11,616	6,218
Other revenue	16,627	1,150
Total nonoperating expenses	<u>(23,928)</u>	<u>(21,788)</u>
Gain (loss) before capital contributions	18,831	(2,404)
Capital contributions	<u>25,483</u>	<u>31,532</u>
Change in net assets	44,314	29,128
Net assets, beginning of year	<u>892,165</u>	<u>863,037</u>
Net assets, end of year	<u>\$ 936,479</u>	<u>892,165</u>

See accompanying notes to financial statements.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Statements of Cash Flows

Years ended September 30, 2005 and 2004

(In thousands)

	2005	2004
Cash flows from operating activities:		
Cash received from customers and tenants	\$ 455,396	470,172
Cash paid to suppliers for goods and services	(162,405)	(136,003)
Cash paid to employees for services	(202,308)	(161,121)
Net cash provided by operating activities	90,683	173,048
Cash flows from capital and related financing activities:		
Proceeds from sale of revenue bonds and commercial paper	560,361	577,539
Principal paid on revenue bonds and commercial paper	(330,927)	(411,419)
Interest paid on revenue bonds	(175,505)	(143,694)
Payment of bond issue costs	3,598	(7,853)
Purchase and construction of capital assets, net	(418,559)	(461,135)
Capital contributed by federal and state governments	38,546	46,690
Passenger facility charges	59,135	57,607
Proceeds from environmental reimbursements	1,793	134
Net cash used in capital and related financing activities	(261,558)	(342,131)
Cash flows from noncapital financing activities:		
Operating reimbursements received	16,627	1,150
Net cash provided by noncapital financing activities	16,627	1,150
Cash flows from investing activities:		
Purchase of investments	(292,518)	(607,250)
Proceeds from sales and maturities of investments	347,495	708,928
Interest and dividends on investments	11,616	6,218
Net cash provided by investing activities	66,593	107,896
Net decrease in cash and cash equivalents	(87,655)	(60,037)
Cash and cash equivalents, beginning of year	477,233	537,270
Cash and cash equivalents, end of year	\$ 389,578	477,233
Cash and cash equivalents reconciliation:		
Unrestricted assets	\$ 68,957	113,262
Restricted assets	320,621	363,971
Cash and cash equivalents	\$ 389,578	477,233

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Statements of Cash Flows

Years ended September 30, 2005 and 2004

(In thousands)

	<u>2005</u>	<u>2004</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 42,759	19,384
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	109,169	103,971
Provision for uncollectible accounts	6,564	2,899
Changes in operating assets and liabilities:		
Accounts receivable	471	(5,801)
Inventories, prepaid expenses, and deferred charges	(2,312)	5,677
Due from County Agencies	(11,686)	(333)
Accounts payable and accrued expenses	(10,627)	10,661
Security deposits	69	1,360
Due to County Agencies	(3,520)	6,324
Deferred revenues	(2,113)	10,296
Other liabilities	(38,091)	18,610
Total adjustments	<u>47,924</u>	<u>153,664</u>
Net cash provided by operating activities	\$ <u>90,683</u>	<u>173,048</u>
Noncash investing, capital, and financing activities:		
Decrease in fair value of investments	\$ (935)	(3,104)

See accompanying notes to financial statements.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

(1) General

(a) Description

Miami-Dade County, Florida (the County) is a chartered political subdivision of the State of Florida and is granted home rule county powers by the Constitution of the State of Florida and Florida Statutes. The Board of County Commissioners (the Board) is the legislative and governing body of the County. The Miami-Dade County Aviation Department (the Aviation Department) is included as an enterprise fund in the County's comprehensive annual financial report as part of the County's reporting entity.

These statements present only the Aviation Department and do not purport to, and do not present fairly the financial position of Miami-Dade County, Florida, as of September 30, 2005 and 2004, and the changes in its financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Pursuant to the general laws of Florida, the County owns Miami International Airport (MIA), three general aviation airports, and two training airports (collectively, the Airports), all of which are operated by the Aviation Department.

(b) Basis of Presentation

The Aviation Department operates as an enterprise fund of the County. An enterprise fund is used to account for the financing of services to the general public, since substantially all of the costs involved are paid in the form of charges by users of such services. Accordingly, the Aviation Department's financial statements have been prepared using the economic resources measurement focus and 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.

(c) Authority to Fix Rates

Under the provisions of the Trust Agreement, amended and restated dated December 15, 2002 by the County, JP Morgan Chase Bank, New York, New York, as trustee (the Trustee) and Wachovia Bank, National Association, Miami, Florida as co-trustee (the Co-Trustee), (the Trust Agreement), which amended and restated the Trust Agreement dated as of October 1, 1954 with the Chase Manhattan Bank (predecessor-in-interest to the Trustee) and First Union National Bank of Miami (predecessor-in-interest to the Co-Trustee), as amended and supplemented (the Original Trust Agreement), the Aviation Department is required to maintain, charge and collect rates and charges for the use and services provided, which will provide revenues sufficient to:

- pay current expenses, as defined in the Trust Agreement;
- make the Reserve Maintenance Fund (the Reserve Maintenance Account) deposits recommended by the Consulting Engineers; and
- make deposits to the Interest and Sinking Fund (the Sinking Fund Account) comprised of the Bond Service Account, the Reserve Account and the Redemption Account of not less than 120% of the Principal and Interest requirements of the Trust Agreement Aviation Revenue Bonds, as defined in the Trust Agreement.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

Any remaining balance in the Revenue Fund, after meeting the requirements noted above, is deposited to the Improvement Fund (the Improvement Account), as defined in the Trust Agreement.

(d) *Agreements with Airlines*

The County has entered into agreements (the Airline Agreements) with various airlines which, among other things, provide for the establishment and adjustment of certain landing fees for aircraft landing at MIA. The original Airline Agreements entered into prior to the date of the Trust Agreement had significantly restricted the County in its imposition of landing charges payable by such airlines. As a result of these restrictions and in order to provide sufficient revenues to the County as required by the Trust Agreement, the original Airline Agreements were amended in 1974 to provide for a Supplemental Landing Charge which may be adjusted by the County when needed to assure that sufficient revenues are generated to meet the rate covenant requirements of the Trust Agreement and the earnings requirements for the issuance of additional bonds to fund airports' improvements. All provisions of the Airline Agreements which limited the County in its imposition of basic landing charges expired on April 30, 1987. The County now has the right to increase or decrease basic landing charges to meet the Trust Agreement requirements and other funding requirements of the airport system. A new Airline Use Agreement was adopted during fiscal year 2001 – 2002.

Pursuant to the requirements of the Airline Use Agreement, deposits in the Improvement Account in excess of \$5 million, in any fiscal year, adjusted annually by the Consumer Price Index (CPI), with a cumulative cap of \$15 million, can be used for any airport-related purpose. The deposits are to be transferred to the Revenue Account and to be taken into consideration in determining landing fees for the next fiscal year, unless otherwise agreed to by the airlines. As of September 30, 2005 and 2004, these excess deposits, which are transferred to the Revenue Account annually during the following January, were approximately \$45,105,000 and \$53,106,000 respectively.

(e) *Relationship with County Departments*

The Aviation Department reimburses the General Fund of the County for its portion of the direct administrative service cost, such as Audit and Management Services, the Board, Clerk of the Courts, Computer Services and Information Systems, County Manager, Fire, Police, Personnel and others. In 1996, an internal study was conducted by the County to determine the appropriate method as a basis to establish the indirect administrative services cost reimbursement for the year ended September 30, 1996 and subsequent years. This study was updated in 2003, which has recommended a cost allocation basis in accordance with OMB A-87. For the years ended September 30, 2005 and 2004, the Aviation Department recorded an expense in the amount of \$9,587,584 and \$8,841,766, respectively, for the indirect administrative services cost reimbursement in accordance with the formula developed as a result of the study.

As of September 30, 2005 and 2004, the Aviation Department owes the County approximately \$11,199,000 and \$14,719,000, respectively, for various services. For these same periods, the Aviation Department has receivables due from the County in the amount of \$13,765,000 and \$2,079,000, respectively.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

In addition, the Aviation Department pays other County departments directly for most services provided such as Fire, Police, Legal, and General Services Administration. The total cost to the Aviation Department for these services was approximately \$70,925,000 and \$66,163,000 for the years ended September 30, 2005 and 2004, respectively.

(2) **Summary of Significant Accounting Policies**

(a) ***Basis of Accounting***

The financial statements are presented on the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded when incurred.

(b) ***Cash and Cash Equivalents***

The Aviation Department considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased, to be cash equivalents.

(c) ***Investments***

Investments consist primarily of U.S. government securities and are carried at fair value based on quoted market prices.

(d) ***Inventories***

Inventories consisting of building materials/supplies and spare parts, are valued at cost using the first-in/first-out (FIFO) method.

(e) ***Capital Assets and Depreciation***

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

The Aviation Department depreciates assets using the straight-line method of depreciation over the assets estimated useful lives as follows:

	<u>Years</u>
Hangars and buildings	40
Runways, aprons and taxiways, and field improvements	30
Paved roads and parking areas	20
Automotive, field and building equipment, and furniture and fixtures	5 – 16
Utility plant and systems	40

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

(f) *Interest on Indebtedness*

Interest is charged to expense as incurred, except for interest related to borrowings used for construction projects. The Aviation Department capitalizes interest costs as part of the cost of constructing specified qualifying assets. In situations involving qualifying assets financed with the proceeds of tax-exempt debt, the amount of interest capitalized is reduced by any interest income earned on the temporary investment of such monies. Interest is capitalized throughout the construction period.

(g) *Unrestricted Assets*

All revenues derived from operations are deposited in the Revenue Account and are used for the payment of Current Expenses, as defined by the Trust Agreement. At the end of each month, after providing a reserve for Current Expenses, the balance of monies in the Revenue Account is deposited into the Sinking Fund Account and then into the Reserve Maintenance Account. Any monies remaining after meeting these requirements are deposited into the Improvement Account. Monies deposited in the Improvement Account may be disbursed for any Airport or Airport-related purpose authorized by the Trust Agreement. Monies within the Revenue and Improvement Accounts are classified as unrestricted.

(h) *Restricted Assets*

Assets required to be reserved for airport maintenance and debt service pursuant to the Trust Agreement are classified as restricted assets and are not available for payment of Current Expenses. In accordance with the terms of the Trust Agreement, assets of the Reserve Maintenance Account are restricted for unusual or extraordinary maintenance or repairs, renewals and replacements, the cost of replacing equipment, and premiums on insurance required to be carried under the provisions of the Trust Agreement and are not available for the payment of current expenses.

Unexpended Passenger Facility Charges (PFC) revenue and accumulated interest earnings, are restricted to be used on Federal Aviation Administration (FAA) approved capital projects and are classified as restricted assets.

When both restricted and unrestricted resources are available for use, it is the Aviation Department's policy to use restricted resources first, then unrestricted resources as needed.

(i) *Compensated Absences*

The Aviation Department accounts for compensated absences by accruing a liability for employees' compensation of future absences in accordance with GASB No. 16, *Accounting for Compensated Absences*. The Aviation Department's policy permits employees to accumulate unused vacation and sick pay benefits that will be paid to them upon separation from service. The Aviation Department recognizes a liability and expense in the period vacation and sick pay benefits are earned. As of September 30, 2005 and 2004, compensated absences were approximately \$28,205,000 and \$26,539,000, respectively.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

(j) ***Environmental Remediation***

Environmental remediation expenses that relate to current operations are expensed. Assets acquired for environmental remediation are capitalized as appropriate. Environmental remediation expenses that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments or remedial efforts are probable, and the Aviation Department's share of the amount can be reasonably estimated.

(k) ***Refundings Resulting in the Defeasance of Debt***

For current and advance refundings 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 using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. The difference in these amounts, to the extent unamortized, is accounted for as an element of the carrying cost of the related debt.

(l) ***Bond Discount and Issuance Costs***

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

(m) ***Pension Plan***

The Aviation Department contributes to the Florida Retirement System, a cost-sharing multi-employer plan. Under GASB No. 27, *Accounting for Pensions by State and Local Government Employers*, 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 Aviation 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 Aviation Department. The provisions of the Bulletin pertaining to other post employment benefits (OPEB) transactions will be applied simultaneously with the adoption of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The impact of the adoption has not been estimated.

(n) ***Net Asset Classifications***

Net assets are classified and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(o) Revenue Classifications

The Aviation Department defines operating revenue as those revenues earned from aviation operations and charged to customers and tenants. Nonoperating revenues include interest earnings, certain grants and PFC collections.

The components of the major revenue captions are:

Aviation Fees – landing fees, concourse use charges, loading bridge use charges, baggage claim use charges, screening fees, airplane parking fees and other similar facilities and service use fees and charges.

Rentals – rentals of land, buildings, and machinery and equipment.

Management Agreements – revenues from the sale of publications, gifts and sundries, and revenues from automotive parking fees, pharmacy facilities, baggage services, special services lounges, the Airport Hotel, Fuel Farm, and the Top of the Port Restaurant.

Concessions – revenues from the sale of duty-free merchandise, rent-a-car companies and various services provided by terminal complex concessionaires.

(p) Grants from Government Agencies

Grants received for the acquisition or construction of capital assets are recorded as capital contributions, when earned. Grants are earned when costs relating to such capital assets, which are reimbursable under the terms of the grants, have been incurred. During fiscal years 2005 and 2004, the Aviation Department recorded approximately \$25,483,000 and \$31,532,000, respectively, in contributions consisting of federal and state grants in aid of construction.

(q) Passenger Facility Charges

The FAA authorized the Aviation Department to impose PFC of \$3.00 per passenger commencing November 1, 1994. In October 2001, with an effective date of January 1, 2002, the FAA approved an increase in the PFC at MIA to \$4.50. The net receipts from PFCs are restricted to be used for funding FAA approved capital projects and debt service attributable to such approved capital projects.

PFC revenue is reported as nonoperating revenue. The Aviation Department has been authorized to collect PFCs on eligible enplaning revenue generating passengers in the aggregate amount not to exceed \$2,757,441,000 including interest, of which \$489,197,000 has been earned through September 30, 2005.

(r) Application of FASB Pronouncements to Proprietary Funds

GASB 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

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

GASB pronouncements, or not following FASB standards issued after such date. The Aviation Department elected not to apply FASB statements and interpretations issued subsequent to November 30, 1989.

(s) ***Use of Estimates***

The preparation of the financial statements requires management of the Aviation Department to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and inventories; environmental liabilities; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

(t) ***Implementation of New Accounting Standards***

During fiscal year 2005, the Aviation Department adopted the provisions of GASB No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The statement requires certain disclosures of investment that have fair values highly sensitive to changes in interest rates. It also requires disclosure of deposit and investment policies related to the risks identified in the statement.

During fiscal year 2005, the Aviation Department adopted the provisions of GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-sharing Employers*, with regards to pension transactions. GASB Technical Bulletin 2004-2 clarifies the requirements of GASB No. 27, *Accounting for Pensions by State and Local Government Employers*. The requirements of GASB Technical Bulletin 2004-2 as they relate to other postemployment benefits will be adopted simultaneously with the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, when it is adopted at a future date.

(u) ***Reclassification***

Certain amounts in the 2004 financial statements have been reclassified to conform to the 2005 presentation.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

(3) Cash and Cash Equivalents and Investments

As of September 30, total unrestricted and restricted cash and cash equivalents and investments were comprised of the following:

	<u>2005</u>	<u>2004</u>
	(In thousands)	
Cash and cash equivalents	\$ 389,578	477,233
Investments, including interest receivable	<u>329,349</u>	<u>384,326</u>
	<u>\$ 718,927</u>	<u>861,559</u>

The carrying amounts of the Aviation Department's local deposits were \$2.38 million and \$6.86 million as of September 30, 2005 and 2004, 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 Aviation Department intends to hold all purchased securities until their final maturity date. There may be occasional exceptions, including, but not limited to the need to sell securities to meet unexpected liquidity needs as well as sales relating to swap transactions. The Aviation Department does not purchase any security at a lower price with the intent to sell the security later to generate a special gain.

Cash equivalents and investments as of September 30, 2005 and 2004 are summarized as follows:

	<u>2005</u>	<u>2004</u>
	(In thousands)	
Cash deposits	\$ <u>2,383</u>	<u>6,855</u>
U.S. Government securities	451,012	553,060
Certificates of deposit	27,000	174,199
Commercial paper	<u>238,532</u>	<u>127,445</u>
Total cash equivalents and investments	<u>716,544</u>	<u>854,704</u>
	<u>\$ 718,927</u>	<u>861,559</u>

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

At September 30, 2005, the carrying value of cash equivalents and investments included the following (in thousands):

<u>Investment type</u>	<u>Fair value</u>
Federal Home Loan Mortgage Company	\$ 104,667
Federal Home Loan Bank	125,728
Federal Farm Credit Bank	47,594
Fannie Mae	141,031
Freddie Mac	31,992
SBA	27,000
Commercial paper	238,532
	<u>\$ 716,544</u>

(a) Credit Risk

The Aviation Department'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 this policy.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

The table below summarizes the investments by type and credit ratings as of September 30, 2005.

<u>Investment type</u>	<u>Credit rating</u>
Federal Home Loan Mortgage Corporation	AAA
Federal Home Loan Bank	AAA
Federal Farm Credit Banks	AAA
Fannie Mae	AAA
Freddie Mac	AAA
SBA	N/A
Time Deposits	N/A
Treasury Notes	N/A
Commercial Paper	A1/P1

(b) Custodial Credit Risk

The Policy requires that bank deposits be secured per Chapter 280, Florida Statutes. This requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. As of September 30, 2005 all of the County's bank deposits were in qualified public depositories.

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

(c) Concentration of Credit Risk

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

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

As of September 30, 2005 the following issuers held 5% or more of the investment portfolio:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Farm Credit Bank	5.33
Federal Home Loan Bank	16.07
Federal Home Loan Mortgage Corporation	13.30
Fannie Mae	17.23

(d) Interest Rate Risk

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

As of September 30, 2005, the County had the following investments with the respective weighted average maturity in years.

<u>Investment type</u>	<u>Weighted average in years</u>
Federal Home Loan Mortgage Corporation	0.83
Federal Home Loan Bank	1.07
Federal Farm Credit Banks	0.88
Fannie Mae	0.83
Freddie Mac	0.97
SBA	—
Time Deposits	0.68
Treasury Notes	0.08
Commercial Paper	0.14

(e) Foreign Currency Risk

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

(4) Disaggregation of Receivables and Payables

(a) Receivables

As of September 30, 2005, accounts receivable, net of the allowance for doubtful accounts, in the amount of \$31,804,000 are comprised of accounts from customers (tenants, carriers, business

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

partners) representing 95% and government agencies representing 5%. As of September 30, 2004, accounts receivable, net of the allowance for doubtful accounts, in the amount of \$38,839,000 are comprised of accounts from customers representing 95% and government agencies representing 5%.

(b) Payables

As of September 30, 2005, accounts payable and accrued expenses and contracts payables totaled \$151,964,000. This amount was comprised of 95% for amounts payable to vendors, 4% due to employees, and 1% due to government agencies. As of September 30, 2004, accounts payable and accrued expenses and contracts payable totaled \$162,591,000. This amount was comprised of 88% for amounts payable to vendors, 3% due to employees, and 9% due to government agencies.

(5) Capital Assets and Depreciation

A summary of capital asset activity and changes in accumulated depreciation for the years ended September 30, 2005 and 2004 follows:

	<u>Balance at September 30, 2004</u>	<u>Additions</u>	<u>Deletions retirements</u>	<u>Balance at September 30, 2005</u>
		(In thousands)		
Capital assets not being depreciated:				
Land	\$ 89,500	—	—	89,500
Construction in progress	<u>1,208,775</u>	<u>464,459</u>	<u>(199,150)</u>	<u>1,474,084</u>
Total capital assets not being depreciated	<u>1,298,275</u>	<u>464,459</u>	<u>(199,150)</u>	<u>1,563,584</u>
Capital assets being depreciated:				
Buildings, improvements, and systems	2,340,616	132,477	(1,107)	2,471,986
Infrastructure	1,033,200	36,502	—	1,069,702
Furniture, machinery, and equipment	<u>229,795</u>	<u>44,295</u>	<u>(6,116)</u>	<u>267,974</u>
Total capital assets being depreciated	<u>3,603,611</u>	<u>213,274</u>	<u>(7,223)</u>	<u>3,809,662</u>
Less accumulated depreciation for:				
Buildings, improvements, and systems	(779,942)	(56,265)	722	(835,485)
Infrastructure	(374,476)	(29,655)	—	(404,131)
Furniture, machinery, and equipment	<u>(137,707)</u>	<u>(23,249)</u>	<u>6,103</u>	<u>(154,853)</u>
Total accumulated depreciation	<u>(1,292,125)</u>	<u>(109,169)</u>	<u>6,825</u>	<u>(1,394,469)</u>
Net capital assets	<u>\$ 3,609,761</u>	<u>568,564</u>	<u>(199,548)</u>	<u>3,978,777</u>

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

	<u>Balance at September 30, 2003</u>	<u>Additions</u>	<u>Deletions retirements</u>	<u>Balance at September 30, 2004</u>
	(In thousands)			
Capital assets not being depreciated:				
Land	\$ 90,600	—	(1,100)	89,500
Construction in progress	978,834	514,979	(285,038)	1,208,775
	<u>1,069,434</u>	<u>514,979</u>	<u>(286,138)</u>	<u>1,298,275</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings, improvements, and systems	2,161,630	180,593	(1,607)	2,340,616
Infrastructure	931,117	102,083	—	1,033,200
Furniture, machinery, and equipment	216,172	16,177	(2,554)	229,795
	<u>3,308,919</u>	<u>298,853</u>	<u>(4,161)</u>	<u>3,603,611</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings, improvements, and systems	(724,763)	(56,786)	1,607	(779,942)
Infrastructure	(342,184)	(32,292)	—	(374,476)
Furniture, machinery, and equipment	(125,174)	(14,893)	2,360	(137,707)
	<u>(1,192,121)</u>	<u>(103,971)</u>	<u>3,967</u>	<u>(1,292,125)</u>
Total accumulated depreciation				
Net capital assets	\$ <u>3,186,232</u>	<u>709,861</u>	<u>(286,332)</u>	<u>3,609,761</u>

Total interest costs incurred during the years ended September 30, 2005 and 2004, amounted to approximately \$164,520,000 and \$155,541,000, respectively. Of this amount, approximately \$59,626,000 and \$79,982,000 were capitalized during 2005 and 2004, respectively.

(6) Debt

(a) Aviation Revenue Bonds

Revenue Bonds are issued to finance the construction of facilities at the Airports pursuant to the Trust Agreement and are payable solely from and are collateralized by a pledge of net revenues, as defined in the Trust Agreement. The Revenue Bonds do not constitute a debt of the County or a pledge of the full faith and credit of the County.

In March 2004, the County issued \$211,850,000 of Series 2004 A Aviation Revenue Bonds all of which remains outstanding at September 30, 2005 and 2004; \$156,365,000 of Series 2004 B all of which remains outstanding at September 30, 2005 and 2004; \$31,785,000 of Series 2004 C all of which remains outstanding at September 30, 2005 and 2004. The Series 2004A and B bonds were issued to provide funds for the payment of costs of certain airport improvements and the Series 2004C bonds were issued to refund Airport Revenue Bonds Series Y. The Series 2004A Bonds bear stated interest rates ranging from 4.75% to 5.00%, with \$1,020,000 serial bonds due October 2029 and \$210,830,000 term bonds due on October 1, 2030 to 2036. The Series 2004B bonds bear stated interest rates ranging from 4.625% to 5.00%, with \$2,670,000 serial bonds due on October 1, 2029

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

and \$153,695,000 due on October 1, 2030 to 2037. The Series 2004C bonds bear stated interest rates ranging from 2.00% to 5.00%, with \$27,850,000 serial bonds due from October 2005 to October 2011.

The advance refunding of Series Y resulted in a deferred accounting loss of approximately \$1,040,000 for the fiscal year ended September 30, 2004. As a result of this transaction, the Aviation Department decreased its aggregate debt service payments by approximately \$2,394,000 over the next 7 years and realized in an economic gain of approximately \$1,884,000.

In May 2003, the County issued \$291,400,000 of Series 2003A Aviation Revenue Bonds all of which remain outstanding at September 30, 2005 and 2004; and \$308,600,000 of Series 2003 B, C, D, and E, of which \$297,925,000 and \$305,135,000 are outstanding at September 30, 2005 and 2004, respectively. The Series 2003A Bonds were issued to provide funds for the payment of certain airport improvements, and the Series 2003B, C, D and E Bonds, were issued to refund Series W Airport Revenue Bonds, the ADF Aviation Facilities Variable Rate Demand Bonds, 1984 Series A, and the ADF Aviation Facilities Revenue Bonds, 1992 Series B bonds and 1994 Series C bonds and defeased the Master Resolution. The Series 2003A Bonds bear stated interest rates from 4.75% to 5.00%, with \$26,490,000 due serially on October 1, 2027 and \$264,910,000 term bonds due on October 1, in years 2033 to 2035. The Series 2003 B, C, D, and E bonds bear stated interest rates ranging from 2.00% to 5.25%, with \$165,430,000 due serially on October 1, 2005 to 2024 and \$139,705,000 term bonds due on October 1, 2024.

In December 2002, the County issued \$600,000,000 of Series 2002A Aviation Revenue Bonds of which the entire amount remains outstanding at September 30, 2005 and 2004. From this Series 2002A, \$269,894,433 was used to refinance a portion of Commercial Paper and \$330,105,567 was used to provide funds for the payment of costs of certain airport improvements. The Series 2002A Bonds bear stated interest rates ranging from 5.00% to 5.125%, with \$600,000,000 due on October 1, from 2029 to 2036.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

The County has outstanding Aviation Revenue Bonds, issued prior to September 30, 2002, to provide funds for the payment of costs for certain airport improvements and to refinance a portion of Commercial Paper. The County has outstanding Revenue Refunding Bonds, issued prior to September 30, 2002, to defease debt in order to take advantage of lower interest rates.

The following tables summarize the bonds outstanding at September 30, 2005 and 2004:

Miami-Dade County Aviation Department Debt Reconciliation September 30, 2005

Revenue					
bonds	Issue date	Rate	Maturity	2005	2004
2004A	March 2004	4.75% – 5.00%	2029	\$ 1,020	1,020
2004B	March 2004	4.62% – 5.00%	2029	2,670	2,670
2004C	March 2004	2.00% – 5.00%	2011	27,850	31,785
2003A	May 2003	4.75% – 5.00%	2027	26,490	26,490
2002A	December 2002	5.00% – 5.1.25%	2029 – 2036	600,000	600,000
1995B	March 22, 1995	5.75%	2012 – 2013	23,720	23,720
1996A	March 1, 1996	5.75%	2011 – 2012	21,880	21,880
1997B	October 1, 1997	5.00% – 5.125%	2004 – 2015	62,790	67,005
1998C	October 1, 1998	4.400% – 5.250%	2009 – 2018	56,655	56,655
2000A	March 1, 2000	5.400% – 5.875%	2011 – 2020	30,690	30,690
2000B	March 1, 2000	5.250% – 5.750%	2011 – 2020	24,610	24,610
2000	May 17, 2002	4.50% – 5.750%	2011 – 2025	162,340	162,340
				\$ 1,040,715	1,048,865
Term bonds					
2004A	March 2004	4.75% – 5.00%	2030 – 2036	210,830	210,830
2004B	March 2004	4.62% – 5.00%	2030 – 2037	153,695	153,695
2003A	May 2003	4.75% – 5.00%	2033 – 2035	264,910	264,910
1995B	March 22, 1995	5.75% – 6.00%	2015 – 2024	112,200	112,200
1995C	March 22, 1995	5.750%	2025	24,080	24,080
1996A	March 1, 1996	5.750%	2015 – 2026	245,535	245,535
1996B	March 1, 1996	5.600%	2026	27,585	27,585
1997B	October 1, 1997	5.125%	2017 – 2022	58,345	58,345
1997C	October 1, 1997	5.125%	2027	63,170	63,170
1998C	October 1, 1997	5.000%	2023 – 2028	93,345	93,345
2000A	March 1, 2000	6.000%	2024 – 2029	47,420	47,420
2000B	March 1, 2000	5.750%	2024 – 2029	37,280	37,280
2002	May 17, 2002	5.380%	2027 – 2032	136,660	136,660
				\$ 1,475,055	1,475,055

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

Refunding bonds					
Serial bonds	Issue date	Rate	Maturity	2005	2004
1994B	November 18, 1994	6.25% – 6.4%	2004 – 2006	\$ 6,880	10,035
1994C	November 18, 1994	8.75% – 8.8%	2004 – 2006	3,390	5,825
1995A	January 15, 1995	5.6% – 6.1%	2004 – 2011	21,705	24,110
1995D	August 1, 1995	5.5% – 5.8%	2007 – 2010	44,385	44,385
1995E	August 1, 1995	5.4% – 6.0%	2007 – 2010	24,905	24,905
1996C	July 1, 1996	5.0% – 5.5%	2004 – 2009	11,960	12,515
1997A	June 1, 1997	5.375% – 6.0%	2004 – 2010	40,090	74,540
1998A	July 1, 1998	5.0% – 5.25%	2004 – 2008	79,635	83,500
1998B	July 1, 1998	4.1% – 5.0%	2004 – 2006	16,410	20,805
2003B	May 29, 2003	2.0% – 5.25%	2005 – 2024	60,460	60,460
2003C	May 29, 2003	2.0% – 5.25%	2005 – 2024	16,100	19,330
2003D	May 29, 2003	3.0% – 5.25%	2006 – 2022	81,665	85,640
				<u>407,585</u>	<u>466,050</u>
Term bonds					
1996C	March 1, 2000	5.500%	2011	9,005	9,005
1998A	May 17, 2002	5.000%	2018-2024	85,675	85,675
2003E	May 29, 2003	5.000%	2024	139,705	139,705
				<u>234,385</u>	<u>234,385</u>
Grand Total				\$ <u>3,157,740</u>	<u>3,224,355</u>

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

(b) Maturities of Bonds Payable

The annual debt service requirements are as follows:

	Revenue bonds principal	Interest
	<u>(In thousands)</u>	
Year ending September 30:		
2006	\$ 55,630	78,625
2007	61,680	161,269
2008	64,675	158,376
2009	70,625	155,148
2010	58,400	151,351
2011-2015	307,630	709,900
2016-2020	395,030	618,487
2021-2025	499,780	499,230
2026-2030	557,720	361,937
2031-2035	714,750	203,570
2036-2041	371,820	31,433
	<u>3,157,740</u>	\$ <u>3,129,326</u>
Less:		
Unamortized discount	(34,146)	
Deferred loss on defeased debt	<u>(21,795)</u>	
	\$ <u>3,101,799</u>	

Bond discounts and deferred loss on defeased debt are deducted from the face amount of bonds payable and are amortized as additional interest expense on the bonds outstanding method, which approximates the interest method. Amortization of bond discount and deferred loss on defeased debt was approximately \$4,458,000 and \$5,290,000 as of September 30, 2005 and 2004, respectively, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net assets.

Amortization of bond issuance cost was approximately \$4,184,000 and \$6,912,000 as of September 30, 2005 and 2004, respectively, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net assets.

(c) Sunshine State Governmental Financing Commission Commercial Paper Revenue Note

On August 16, 2005, the County closed on the \$71,000,000 Sunshine State Governmental Financing Commission Commercial Paper Revenue Note (Miami-Dade County Program), Series I 2005. The Aviation Department's pro-rata share (12%) of the principal is \$8,074,304, with interest at 5%, payable over 5 years. The proceeds provide funding for various County projects, including \$7.9 million for the Aviation Department's Enterprise Resource Planning (ERP) Implementation.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

Changes in long-term liabilities, other than commercial paper, are as follows:

	<u>Balance at September 30, 2004</u>	<u>Additions</u>	<u>Reductions</u> (In thousands)	<u>Total at September 30, 2005</u>	<u>Due within one year</u>
Revenue bonds	\$ 3,224,355	—	(66,615)	3,157,740	55,630
Less deferred amounts:					
For issuance discount and refunding losses	(60,399)	—	4,458	(55,941)	—
Sunshine State loan	<u>—</u>	<u>8,075</u>	<u>—</u>	<u>8,075</u>	<u>1,615</u>
Total bonds payable, net	3,163,956	8,075	(62,157)	3,109,874	57,245
Other liabilities:					
Compensated absences	26,539	1,666	—	28,205	7,123
Environmental remediation	190,074	—	(39,757)	150,317	31,317
Deferred revenues	<u>16,771</u>	<u>—</u>	<u>(2,113)</u>	<u>14,658</u>	<u>3,583</u>
Total long-term liabilities	\$ <u>3,397,340</u>	<u>9,741</u>	<u>(104,027)</u>	<u>3,303,054</u>	<u>99,268</u>
	<u>Balance at September 30, 2003</u>	<u>Additions</u>	<u>Reductions</u> (In thousands)	<u>Total at September 30, 2004</u>	<u>Due within one year</u>
Revenue bonds	\$ 2,915,315	400,000	(90,960)	3,224,355	66,610
Less deferred amounts:					
For issuance discount and refunding losses	(66,062)	5,663	—	(60,399)	—
Total bonds payable, net	2,849,253	405,663	(90,960)	3,163,956	66,610
Other liabilities:					
Compensated absences	24,923	10,546	(8,930)	26,539	6,698
Environmental remediation	173,080	29,456	(12,462)	190,074	29,773
Deferred revenues	<u>6,475</u>	<u>15,602</u>	<u>(5,306)</u>	<u>16,771</u>	<u>4,917</u>
Total long-term liabilities	\$ <u>3,053,731</u>	<u>461,267</u>	<u>(117,658)</u>	<u>3,397,340</u>	<u>107,998</u>

(d) Commercial Paper Notes

At September 30, 2005, the County had outstanding \$313,626,000 of Aviation Commercial Paper Notes (Notes). The effective interest rate paid on the Notes outstanding at September 30, 2005 ranges from 2.00% to 2.60%. At September 30, 2004, the County had outstanding \$30,000,000 of Aviation Commercial Paper Notes (Notes) plus accrued interest of \$110,913. The effective interest rate paid on the Notes outstanding at September 30, 2004 ranges from 1.20% to 1.62%.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

The proceeds of such Notes were used to finance certain airport and airport related improvements. The Notes and accrued interest are payable solely from proceeds of future Revenue Bonds and any unencumbered monies in the Improvement Fund. The Notes are secured by an irrevocable stand-by letter of credit. The letter of credit, in the amount of \$400,000,000, was approved for the purpose of making funds readily available for the payment of principal and interest on the Notes. As of September 30, 2005 and 2004, there was \$319,984,000 and \$31,043,000, respectively, outstanding on the letter of credit. The letter of credit expires on August 1, 2010.

The outstanding Notes and accrued interest have been excluded from current liabilities because the Aviation Department intends to refinance the commercial paper with long-term revenue bonds.

(e) Short-Term Debt to Be Refinanced on a Long-term Basis

Following is a schedule of changes in commercial paper notes:

	(In thousands)	
Balance as of September 30, 2003	\$	178,694
Additions		171,876
Deductions		<u>(320,459)</u>
Balance as of September 30, 2004		30,111
Additions		555,799
Deductions		<u>(272,284)</u>
Balance as of September 30, 2005	\$	<u><u>313,626</u></u>

(f) Defeased Debt

The County defeased certain series of Revenue Bonds by placing the proceeds of the new bond issues in irrevocable trusts. Such proceeds are invested in direct obligations of the U.S. Government and will provide for all future debt service payments on the old bonds. The related assets and liabilities are not included in the financial statements of the Aviation Department. Approximately, \$83,575,000 of bonds outstanding is considered defeased at September 30, 2005:

<u>Revenue bonds</u>	<u>Date of defeasance</u>	<u>Maturity date</u>	<u>Amount defeased</u>	<u>2005</u>
Series C	August 1985	October 1, 2007	\$ 35,705,000	3,575,000
Series 1995B	July 1998	October 1, 2005	80,000,000	<u>80,000,000</u>
				\$ <u><u>83,575,000</u></u>

At September 30, 2005, the Aviation Department is in compliance with its debt covenants.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

(7) Restricted Assets

A summary of restricted assets at September 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
	(In thousands)	
Construction account	\$ 339,560	427,318
Bond service and reserve account	211,219	261,120
Reserve maintenance	<u>27,216</u>	<u>34,926</u>
	<u>\$ 577,995</u>	<u>723,364</u>

(8) Management, Operating, Concession, and Lease Agreements

(a) Management Agreements

Certain properties are provided under management agreements with nationally recognized firms or local firms with expertise in their areas of service. Among these properties are public parking, newsstand facilities, gift shop facilities, pharmacy, sundries, special service lounges, fuel farm, the Airport hotel and the Top of the Port restaurant. The Aviation Department receives all revenues. These agreements provide for reimbursement of approved budgeted operating expenses and a fixed management fee or fees based on percentages of revenues or operating profits of the facilities. While the Aviation Department generally looks toward the management companies for recommendations relative to operation of the facilities, the Aviation Department does exercise complete budgetary control and establishes standards, guidelines and goals for growth and performance. Such actions are taken within the rights reserved to the Aviation Department under these agreements to control all aspects of the businesses. These include such matters as pricing, staffing, employee benefits, operating hours, facilities maintenance requirements, service levels, market selections, personnel policies and marketing strategies. In the event the management firm is not performing in accordance with the standards established by the Aviation Department, the Aviation Department has the authority to cancel such agreements. The management firms do not act as general agents on behalf of the County and, therefore, cannot obligate or commit the Aviation Department, without prior approval, beyond the scope of what is required to run the day-to-day operations of the managed properties as established by the budget approved by the Aviation Department. The revenues and expenses generated from the operations of these facilities are recorded as revenues from management agreements and operating expenses under management agreements, respectively, in the accompanying statements of revenues, expenses and changes in net assets.

(b) Operating Agreements

Certain other services are provided under operating agreements with nationally recognized firms or local firms with expertise in their areas of service. These agreements provide necessary services of employee shuttle transportation, janitorial services and porter services to the Aviation Department. These agreements provide for reimbursement of approved budgeted operating expenses and a fixed management fee. While the Aviation Department generally looks toward the operating companies for recommendations relative to these operations, the Aviation Department does exercise complete budgetary control and establishes standards, guidelines and goals for service and performance. Such

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

actions are taken within the rights reserved to the Aviation Department under these agreements to control all aspects of the businesses. These include such matters as personnel policies, staffing, employee benefits, facilities maintenance requirements and service levels. In the event the operating firm is not performing in accordance with the standards established by the Aviation Department, the Aviation Department has the authority to cancel such operating agreements. The operating firms do not act as general agents on behalf of the County and, therefore, cannot obligate or commit the Aviation Department beyond the scope of what is required to run the day-to-day operations of managed properties as established by the budget approved by the Aviation Department. The expenses associated with the operation of these facilities and services are recorded as operating expenses under operating agreements, in the accompanying statements of revenue, expenses and changes in net assets.

(c) **Concession Agreements**

The Aviation Department has entered into concession agreements with retail stores and newsstands, duty-free merchandise shops, food and beverage facilities, various rent-a-car companies, aeronautical service companies, and other passenger services through 2010. The agreements consist of both cancelable and noncancelable agreements and provide for a minimum annual rental and a franchise fee based on a percentage of the gross revenue, whichever is greater. These agreements generated revenues of approximately \$77,520,000 and \$73,174,000 during fiscal year 2005 and 2004, respectively. Minimum future fees under such noncancelable concession agreements as of September 30, 2005 are as follows:

	(In thousands)
Year ending September 30:	
2006	\$ 10,876
2007	8,610
2008	6,715
2009	3,370
2010	3,054
	<hr/>
	\$ 32,625
	<hr/>

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

(d) Lease Agreements

The leasing operations of the Aviation Department consist principally of the leasing of land, buildings and office space. The lease agreements consist of both cancelable and noncancelable agreements and permit the Aviation Department to periodically adjust rents and maximize operational flexibility. Minimum future rentals under such noncancelable lease agreements as of September 30, 2005, are as follows:

	(In thousands)
Year ending September 30:	
2006	\$ 29,233
2007	27,074
2008	19,759
2009	16,770
2010	15,502
2011-2015	51,274
2016-2020	25,332
2021-2025	24,228
2026-2030	10,622
2031-2035	4,950
2036-2040	4,104
2041-2045	1,637
2046-2050	1,637
2051-2054	218
	<u>\$ 232,340</u>

The Aviation Department recognized approximately \$89,255,000 and \$91,167,000 of rental income for the years ended September 30, 2005 and 2004, respectively.

(9) Insurance

The Aviation Department, along with most other County departments, participates in the self-insurance program of the County for workers' compensation insurance. The program is administered by the Risk Management Division of the General Services Administration Department of the County (Risk Management). Premiums on the self-insurance programs are based on historical loss experiences. The long-term estimated liability for claims payable, including incurred but not reported (IBNR), is recorded at the County level. Therefore, such liability is not included in the accompanying financial statements. The Aviation Department's liability is estimated to be approximately \$3,913,000 and \$3,553,000 as of September 30, 2005 and 2004, respectively, based on an independent actuarial valuation. The short-term liability for claims payable in the amount of approximately \$1,004,000 and \$1,269,000 is included in Due to County Agencies in the accompanying statements of net assets as of September 30, 2005 and 2004, respectively.

The Aviation Department also pays premiums to commercial insurance carriers for airport liability insurance, construction wrap-up insurance and property insurance. The Airport liability coverage provides

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

comprehensive general liability, contractual liability and personal injury liability at all Airports. Coverage under the policy is limited to \$500 million with a self-insured retention of \$50,000 per occurrence for a total annual aggregate retention of \$500,000. Coverage under the policy for personal injury is limited to \$25 million per occurrence.

The construction wrap-up insurance program provides comprehensive general liability including contractual liability and personal injury liability. The limit of liability is \$150 million with a \$15,000 property damage deductible per occurrence. Coverage is also provided for on-site automobile liability in excess of \$1 million. This program covers the County contractors and other parties for occurrences arising out of designated construction projects at the airport.

The property of the Aviation Department is insured under a County-wide master program which covers most County properties subject to policy terms and conditions. The Aviation Department has been allocated a portion of the premium by the Risk Management Division based on the value of the property of the Aviation Department as a percentage of the total value of the property insured. The limit for most perils is \$600 million with a \$5 million deductible per occurrence. Windstorm and flood coverage is provided with a limit of \$400 million County-wide, with a deductible for named windstorm of \$200 million. Terrorism coverage is provided for MIA with a limit of \$300 million.

The amounts of insurance settlements during the past three fiscal years have not exceeded the Aviation Department's insurance coverage.

(10) Pension Plan and other Benefits

(a) Pension Plan

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

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.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

Pension costs for the Aviation Department as required and defined by the FRS ranged between 7.83% to 18.53%, 7.39% to 18.53%, and 7.39% to 18.53%, of gross salaries for fiscal years 2005, 2004 and 2003, respectively. For the fiscal years ended September 30, 2005, 2004 and 2003, the County contributed 100% of the annual required contributions. These contributions aggregated \$230 million, \$206 million, and \$157 million, respectively, which represents 10.2%, 10.1%, and 8.7% of covered payroll, respectively, and 10.7%, 10.1% and 8.5% of the total contributions required of all participating agencies for fiscal years 2005, 2004, and 2003.

Pension costs of the Aviation Department for the years ended September 30, 2005, 2004 and 2003, as required and defined by the System were \$9,700,000, \$9,272,000, and \$8,338,000 respectively. These amounts are included in salaries, wages and employee benefits expense in the accompanying statements of revenue and expenses and changes in fund net assets.

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

(b) Other

On June 6, 1995, the County approved the Departure Incentive Program (the DIP) which allowed certain current eligible employees, as defined, to elect to leave the service of the County on or before January 31, 1996. Employees who elected to be covered by the DIP receive single health coverage in a County approved health plan or a cash supplement until they become eligible for Medicare, payment of all accrued sick leave in fiscal year 1997 with 3% interest and other benefits. The outstanding balance at September 30, 2005 and 2004 was approximately \$459,000 and \$580,000, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of net assets.

(11) North Terminal Development Program (NTD)

In 1989, the Aviation Department agreed to allow a major carrier (collectively, the parties) to create an international passenger hub at MIA. The North Terminal Development Project (NTD or the Project) evolved out of this plan and commitment to improve the level and quality of services to passengers. The carrier worked with the Aviation Department to develop the concept plan for NTD and in October 1995, the parties entered into a Lease, Construction and Financing Agreement (the LCF Agreement), which authorized the carrier to design and construct the Project.

The LCF Agreement was approved by the Board in 1995 and provided for costs up to \$974,900,000. In July 1999, the parties agreed to the First Amendment which increased the scope of work and the costs to \$1,304,900,000. In January 2002, the parties agreed to the Second Amendment which eliminated the 250 flights per day requirement in the LCF Agreement. In April 2002, the parties entered into the Third Amendment which increased the costs to \$1,515,900,000.

Due to the complexity of the project, coordination and construction problems, along with insufficient project management and controls, the project encountered substantial delays, and significant cost overruns resulting in a series of unprocessed and unpaid claims from subcontractors and suppliers related

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

to change orders and cost overruns. As a result of the aforementioned delays and issues, the Aviation Department assumed responsibility for the management and completion of the Project with the assistance of consultants.

A Fourth Amendment was entered into between the parties, which was approved by the Board on June 21, 2005. The Fourth Amendment primarily terminated the carrier's management of the Project and attempted to resolve the unprocessed and unpaid claims. Under the Fourth Amendment, the carrier has agreed to contribute to the Project \$105 million, payable in installments over a period of ten years beginning in fiscal year 2005. The contribution shall be maintained in a claims reserve fund to pay such claims. Once all claims have been settled, any excess funds available are retained by the Aviation Department to be applied to construction of the Project. The first installment in the amount of \$15 million was received during fiscal year 2005 and was recognized as other revenue in the accompanying statement of revenues, expenses and changes in net assets.

Although it is probable that the Aviation Department will have to pay claims associated with the NTD Project; the total amount to be paid or accrued can not be reasonably estimated. As such, no amounts have been accrued for such claims as of September 30, 2005.

(12) Commitments and Contingencies

(a) *Environmental Matters*

In August 1993, the Aviation Department and the Dade County Department of Environmental Resources Management (DERM) entered into a Consent Order. Under the Consent Order, the Aviation Department was required to correct environmental violations resulting from various tenants' failure to comply with their environmental obligations at the Airport including those facilities previously occupied by Eastern Airlines (Eastern) and Pan Am Airlines (Pan Am). In addition, the Aviation Department had a preliminary study performed by an independent engineering firm to estimate the cost to correct the environmental violations noted in the Consent Order. This study was used as a basis to record the environmental remediation liability as of September 30, 1993.

In each subsequent year, the Aviation Department has received an updated study performed by MACTEC Engineering and Consulting, f/k/a LAW Engineering and Environmental Services, Inc. (LAW), an independent engineering firm to further update the estimated costs to correct the environmental violations noted in the Consent Order based on additional information and further refinement of estimated costs to be incurred.

As a result of the updated study and costs incurred in fiscal year 2005, the total cumulative estimate to correct such violations was \$269 million. This estimate allows for uncertainties as to the nature and extent of environmental reparations and the methods, which must be employed for the remediation. The cumulative amount of environmental expenditures spent through September 30, 2005 approximated \$119 million.

During fiscal year 1998, a Consent Order (FDEP Consent Order) was signed with the State of Florida Department of Environmental Protection (FDEP). The FDEP Consent Order encompasses and replaces the DERM agreement and includes additional locations. The FDEP Consent Order includes all locations at MIA that are contaminated as well as additional sites where contamination is

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

suspected. The Aviation Department included other sites where contamination is suspected in the FDEP Consent Order under a Protective Filing. If contamination is documented at these sites, the State would be required to incur the costs of remediation. Because the State will be required to pay for remediation of sites filed in the Protective Filing and because the contamination at the sites is unknown, an accrual amount is not reflected in the Opinion of Cost report.

In February 1999, the Aviation Department settled its Inland Protection Trust Fund (IPTF) case with FDEP concerning the cleanup of the sites formerly occupied by Eastern Airlines, which are petroleum contaminated and are eligible for reimbursement. The settlement allocates \$1.7 million per year for a period of five years, to clean up those sites that impact the current Capital Improvement Program. As of September 30, 2005, the Aviation Department has spent approximately \$54 million and has received approximately \$38 million of cost reimbursement from the State and insurance companies.

Currently, the County has several pending lawsuits in State Court against the Potentially Responsible Parties (PRPs) and insurers to address recovery of past and future damages associated with the County's liability under the FDEP Consent Order.

The outstanding amount at September 30, 2005 and 2004 was \$150,317,000 and \$190,074,000, respectively, representing the unexpended environmental remediation costs based on the Opinion of Cost. Management has allocated a portion of bond proceeds to fund this obligation and believes that the remaining amount can be funded from recoveries and the operations of the Aviation Department. The liability recorded by the Aviation Department does not include an estimate of any environmental violations at the three general aviation airports or at the two training airports. Management is not aware of any such liabilities and the occurrence of any would not be material to the financial statements.

In addition to the studies conducted to determine the environmental damage to the sites occupied by Eastern and Pan Am, the Aviation Department caused studies to be performed to determine the amount required to remove or otherwise contain the asbestos in certain buildings occupied by the airlines. The Aviation Department has also estimated the amount required to remove or otherwise contain the asbestos in buildings other than those formerly occupied by Eastern and Pan Am. The studies estimate the cost to correct such damage related to all buildings to be approximately \$4.5 million. Such amounts do not represent a liability of the Aviation Department until such time as a decision is made by the Aviation Department's management to make certain modifications to the buildings, which would require the Aviation Department to correct such matters. As such, no amounts are recorded as of September 30, 2005 and 2004.

(b) *Airline Industry Factors*

The Aviation Department management recognizes and continuously monitors those domestic and international factors affecting the airline industry, as a whole, and is of the opinion that the nature of its various contracts, agreements and methods of operation related to its revenue sources and expenses provide flexibility in adapting to uncertainties as they specifically affect the Aviation Department.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

(c) *Other Commitments and Contingencies*

As of September 30, 2005, the Aviation Department had approximately \$1.3 billion of construction commitments outstanding.

A number of claims and lawsuits are pending against the County relating to the Aviation Department resulting from the normal course of conducting its operations. However, in the opinion of management and the County Attorney, the ultimate outcome of such actions will not have a material adverse effect on the financial position of the Aviation Department.

The Aviation Department receives grants from federal and state financial assistance programs, which are subject to audit and adjustment by the grantor agencies. It is the opinion of management that no material liabilities will result to the Aviation Department from any such audit.

On March 20, 2003, the U.S. Department of Transportation, Office of the Inspector General (OIG) issued Report No. AV-2003-030 entitled *Oversight of Airport Revenue* in connection with their audit of amounts paid to the County by the Aviation Department. The OIG reported that the County diverted Aviation Department revenues of approximately \$38 million from 1995 to 2000. On August 9, 2005, upon receiving additional information from the Aviation Department, the OIG agreed to adjust the finding to \$8.1 million, plus interest. The *Oversight of Airport Revenue* report was updated to include the years 2001 through 2005, and the total diversion of revenues was increased to \$12 million, plus interest of \$2.3 million for a total of \$14.3 million. The County repaid the Aviation Department \$1 million during fiscal year 2004 and \$1 million during fiscal year 2005, leaving an unpaid balance of \$12.3 million as of September 30, 2005 which is included in Due from County Agencies in the accompanying statement of net assets. Of the \$12.3 million unpaid balance, \$12.1 million is due from the General Fund and \$193,000 is due from the Fire and Rescue Special Revenue Fund. The \$12.3 million will be repaid by the County in installments with a payment of \$1 million in fiscal year 2006 and quarterly installments of \$564,251 over the next five fiscal years beginning October 1, 2006.

MIAMI-DADE COUNTY AVIATION DEPARTMENT

Notes to Financial Statements

September 30, 2005 and 2004

(13) Subsequent Events

In November 2005, the County issued \$600,000,000 of Series 2005A, 2005B and 2005C Aviation Revenue Bonds to refinance a substantial portion of the outstanding Commercial Paper Notes, to refund certain Aviation Revenue Bonds and to provide funds for the payment of costs for certain airport improvements. The Series 2005A, 2005B and 2005C bear stated interest rates ranging from 3.50% to 5.00%, with \$62,240,000 term bonds due on October 1, in years ranging from 2025 to 2035.

2005
Comprehensive Annual Financial Report

Statistical Section



2005
Comprehensive Annual Financial Report

(This page intentionally left blank)

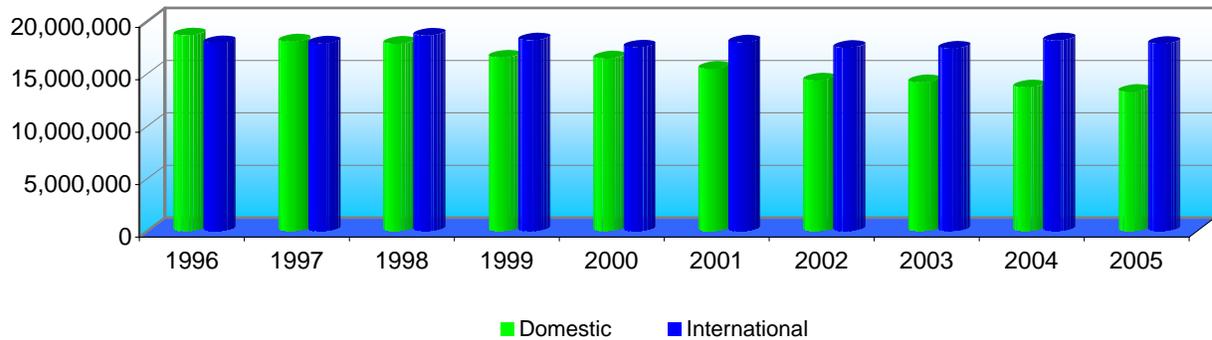
2005 Comprehensive Annual Financial Report

Landed Weight

Fiscal Years Ended September 30, 1996 to 2005

Fiscal Year	Domestic		International		Total	
	1,000 lbs	% Change	1,000 lbs	% Change	1,000 lbs	% Change
1996	18,667,455		17,920,455		36,587,910	
1997	18,085,584	-3.1%	17,899,049	-0.1%	35,984,633	-1.6%
1998	17,867,655	-1.2%	18,651,656	4.2%	36,519,311	1.5%
1999	16,554,067	-7.4%	18,195,858	-2.4%	34,749,925	-4.8%
2000	16,463,643	-0.5%	17,521,641	-3.7%	33,985,284	-2.2%
2001	15,482,267	-6.0%	17,994,033	2.7%	33,476,300	-1.5%
2002	14,369,643	-7.2%	17,481,027	-2.9%	31,850,670	-4.9%
2003	14,204,601	-1.1%	17,405,321	-0.4%	31,609,922	-0.8%
2004	13,716,597	-3.4%	18,182,948	4.5%	31,899,545	0.9%
2005	13,288,101	-3.1%	17,860,411	-1.8%	31,148,512	-2.4%

Landed Weight

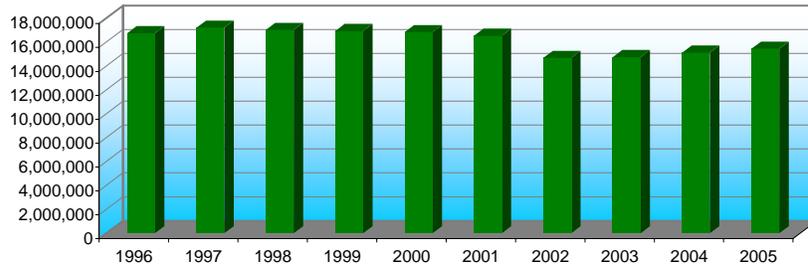


2005 Comprehensive Annual Financial Report

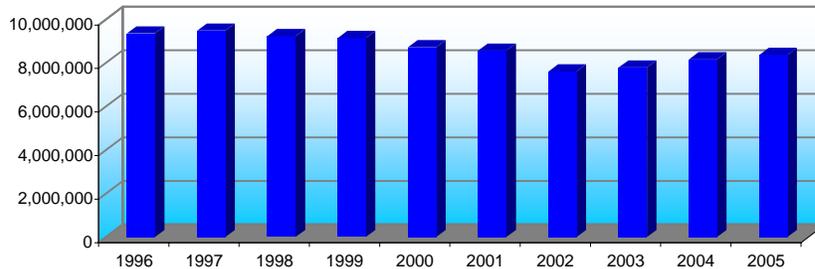
Annual Enplaned Passengers Fiscal Years Ended September 30, 1996 to 2005

Fiscal Year	Domestic		International		Total	
	Passengers	% Change	Passengers	% Change	Passengers	% Change
1996	9,358,107		7,383,159		16,741,266	
1997	9,488,808	1.4%	7,714,920	4.5%	17,203,728	2.8%
1998	9,231,701	-2.7%	7,789,208	1.0%	17,020,909	-1.1%
1999	9,144,269	-0.9%	7,778,608	-0.1%	16,922,877	-0.6%
2000	8,724,546	-4.6%	8,107,596	4.2%	16,832,142	-0.5%
2001	8,568,487	-1.8%	7,955,101	-1.9%	16,523,588	-1.8%
2002	7,615,860	-11.1%	7,058,314	-11.3%	14,674,174	-11.2%
2003	7,792,381	2.3%	6,947,528	-1.6%	14,739,909	0.4%
2004	8,162,901	4.8%	6,954,655	0.1%	15,117,556	2.6%
2005	8,373,079	2.6%	7,070,179	1.7%	15,443,258	2.2%

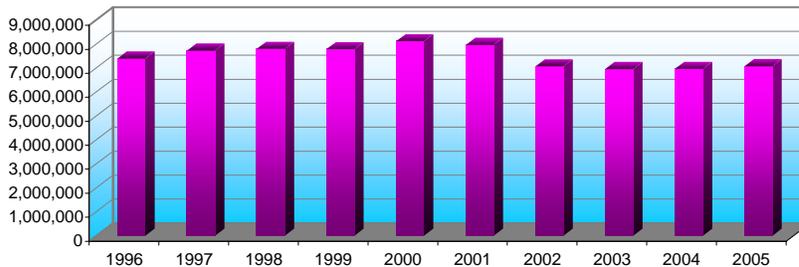
Total Enplaned Passengers



Domestic Enplaned Passengers



International Enplaned Passengers



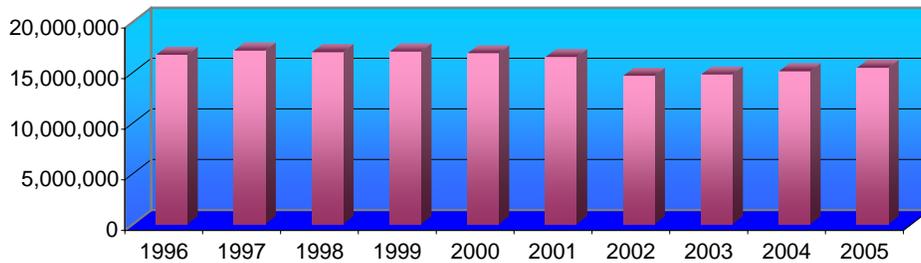
2005 Comprehensive Annual Financial Report

Annual Deplanned Passengers

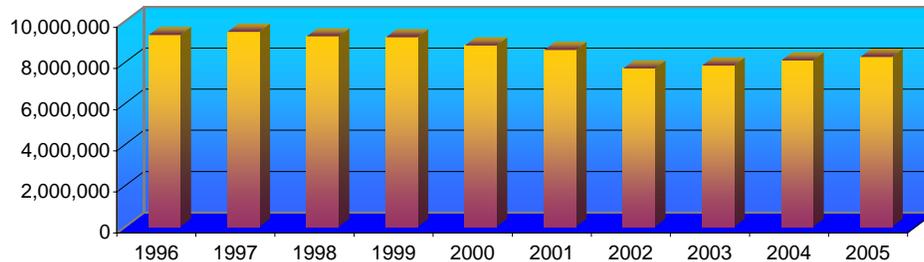
Fiscal Years Ended September 30, 1996 to 2005

Fiscal Year	Domestic		International		Total	
	Passengers	% Change	Passengers	% Change	Passengers	% Change
1996	9,336,261		7,419,565		16,755,826	
1997	9,488,741	1.6%	7,682,708	3.5%	17,171,449	2.5%
1998	9,268,744	-2.3%	7,742,305	0.8%	17,011,049	-0.9%
1999	9,227,295	-0.4%	7,853,320	1.4%	17,080,615	0.4%
2000	8,823,031	-4.4%	8,088,111	3.0%	16,911,142	-1.0%
2001	8,611,134	-2.4%	7,914,019	-2.2%	16,525,153	-2.3%
2002	7,704,786	-10.5%	6,970,953	-11.9%	14,675,739	-11.2%
2003	7,847,037	1.8%	6,945,601	-0.4%	14,792,638	0.8%
2004	8,093,276	3.1%	7,033,287	1.3%	15,126,563	2.3%
2005	8,263,987	2.1%	7,204,846	2.4%	15,468,833	2.3%

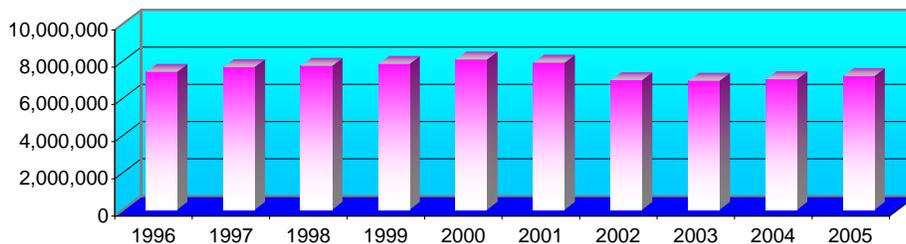
Total Deplanned Passengers



Domestic Deplanned Passengers



International Deplanned Passengers



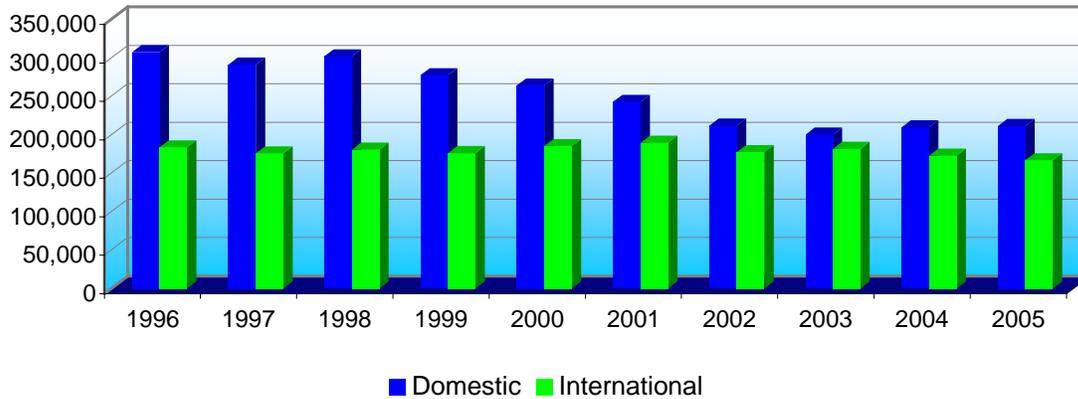
2005 Comprehensive Annual Financial Report

Flight Operations

Fiscal Years Ended September 30, 1996 to 2005

Fiscal Year	Domestic		International		Total	
	Operations	% Change	Operations	% Change	Operations	% Change
1996	307,046		183,458		490,504	
1997	291,019	-5.2%	175,558	-4.3%	466,577	-4.9%
1998	301,856	3.7%	180,225	2.7%	482,081	3.3%
1999	277,233	-8.2%	175,742	-2.5%	452,975	-6.0%
2000	263,850	-4.8%	185,034	5.3%	448,884	-0.9%
2001	242,701	-8.0%	189,218	2.3%	431,919	-3.8%
2002	211,502	-12.9%	177,236	-6.3%	388,738	-10.0%
2003	199,725	-5.6%	181,523	2.4%	381,248	-1.9%
2004	209,331	4.8%	172,339	-5.1%	381,670	0.1%
2005	210,960	0.8%	166,670	-3.3%	377,630	-1.1%

Flight Operations

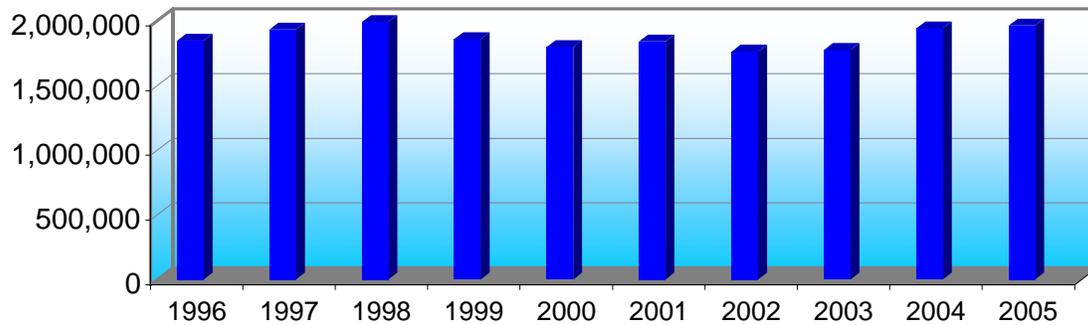


Air Cargo Activity

Fiscal Years Ended September 30, 1996 to 2005

Fiscal Year	<u>Mail</u>	<u>Freight</u>	<u>Total</u>	<u>% Change</u>
1996	83,736	1,764,102	1,847,838	
1997	88,639	1,845,494	1,934,133	4.7%
1998	92,219	1,899,433	1,991,652	3.0%
1999	91,413	1,768,030	1,859,443	-6.6%
2000	94,619	1,704,607	1,799,226	-3.2%
2001	90,409	1,750,526	1,840,935	2.3%
2002	46,847	1,716,445	1,763,292	-4.2%
2003	45,456	1,729,631	1,775,087	0.7%
2004	49,496	1,892,623	1,942,119	9.4%
2005	43,524	1,921,977	1,965,501	1.2%

Air Cargo (tons)

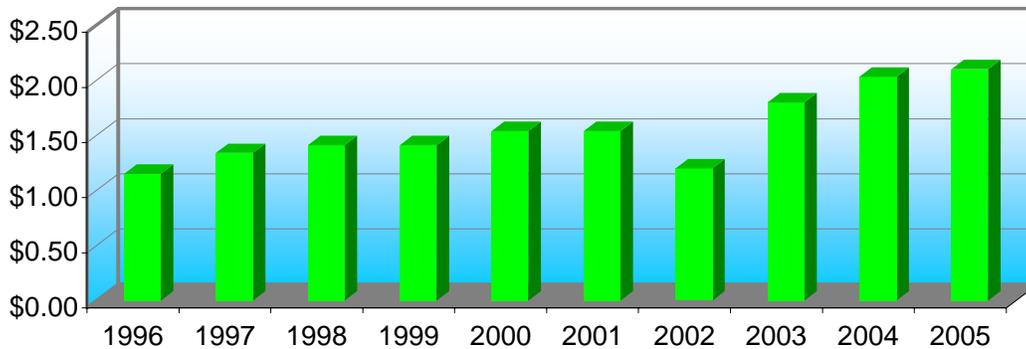


Landing Fees

Fiscal Years Ended September 30, 1996 to 2005

Fiscal Year	Landing Fees per 1,000 lbs.	% Change
1996	\$1.15	
1997	\$1.34	16.5%
1998	\$1.41	5.2%
1999	\$1.41	0.0%
2000	\$1.54	9.2%
2001	\$1.54	0.0%
2002	\$1.20	-22.1%
2003	\$1.80	50.0%
2004	\$2.03	12.8%
2005	\$2.10	3.4%

**Landing Fee Rate
(per 1,000 lbs)**

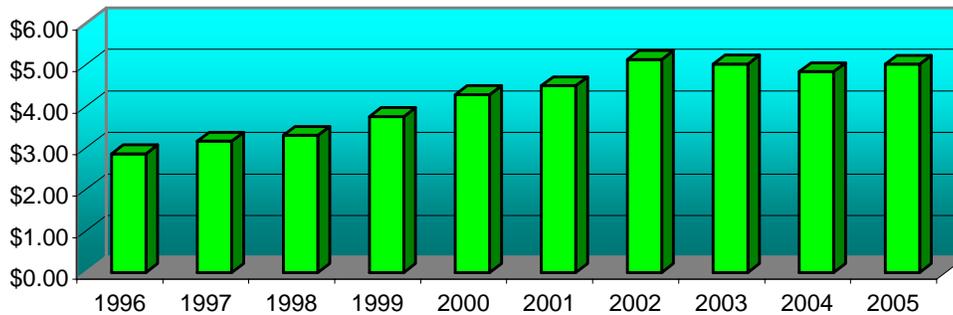


2005 Comprehensive Annual Financial Report

Concession Revenue Fiscal Years Ended September 30, 1996 to 2005

Fiscal Year	Concession Revenue		Enplaned Passengers		Revenue per Enplaned Passenger	
	Amount	% Change	Number	% Change	Amount	% Change
1996	\$47,864,000		16,741,266		\$2.86	
1997	\$54,431,000	13.7%	17,203,728	2.8%	\$3.16	10.7%
1998	\$56,222,000	3.3%	17,020,909	-1.1%	\$3.30	4.4%
1999	\$63,612,000	13.1%	16,922,877	-0.6%	\$3.76	13.8%
2000	\$72,140,000	13.4%	16,832,142	-0.5%	\$4.29	14.0%
2001	\$74,338,000	3.0%	16,523,588	-1.8%	\$4.50	5.0%
2002	\$75,287,000	1.3%	14,674,174	-11.2%	\$5.13	14.0%
2003	\$74,057,000	-1.6%	14,739,909	0.4%	\$5.02	-2.1%
2004	\$73,174,000	-1.2%	15,117,556	2.6%	\$4.84	-3.7%
2005	\$77,520,000	5.9%	15,443,258	2.2%	\$5.02	3.7%

Concession Revenues per Enplaned Passenger

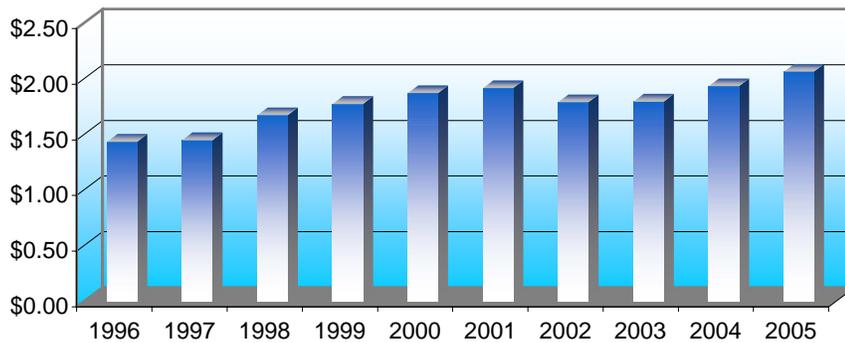


Parking Revenue

Fiscal Years Ended September 30, 1996 to 2005

Fiscal Year	Parking Revenue		Enplaned Passengers		Revenue per Enplaned Passenger	
	Amount	% Change	Number	% Change	Amount	% Change
1996	\$23,938,232		16,741,266		\$1.43	
1997	\$24,839,853	3.8%	17,203,728	2.8%	\$1.44	1.0%
1998	\$28,395,067	14.3%	17,020,909	-1.1%	\$1.67	15.5%
1999	\$29,947,674	5.5%	16,922,877	-0.6%	\$1.77	6.1%
2000	\$31,450,549	5.0%	16,832,142	-0.5%	\$1.87	5.6%
2001	\$31,589,597	0.4%	16,523,588	-1.8%	\$1.91	2.3%
2002	\$26,215,802	-17.0%	14,674,174	-11.2%	\$1.79	-6.6%
2003	\$26,388,268	0.7%	14,739,909	0.4%	\$1.79	0.2%
2004	\$29,189,658	10.6%	15,117,556	2.6%	\$1.93	7.9%
2005	\$31,804,432	9.0%	15,443,258	2.2%	\$2.06	6.7%

Parking Revenue
per Enplaned Passenger



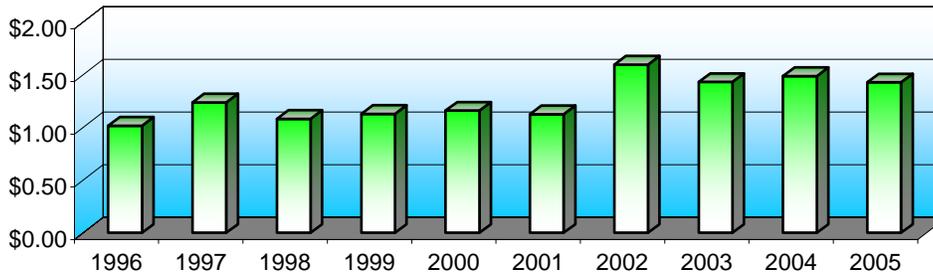
2005 Comprehensive Annual Financial Report

Rental Car Revenue

Fiscal Years Ended September 30, 1996 to 2005

Fiscal Year	Rental Car Revenue		Enplaned Passengers		Revenue per Enplaned Passenger	
	Amount	% Change	Number	% Change	Amount	% Change
1996	\$17,030,842		16,741,266		\$1.02	
1997	\$21,298,530	25.1%	17,203,728	2.8%	\$1.24	21.7%
1998	\$18,420,074	-13.5%	17,020,909	-1.1%	\$1.08	-12.6%
1999	\$19,083,019	3.6%	16,922,877	-0.6%	\$1.13	4.2%
2000	\$19,518,891	2.3%	16,832,142	-0.5%	\$1.16	2.8%
2001	\$18,584,881	-4.8%	16,523,588	-1.8%	\$1.12	-3.0%
2002	\$23,404,000	25.9%	14,674,174	-11.2%	\$1.59	41.8%
2003	\$21,093,813	-9.9%	14,739,909	0.4%	\$1.43	-10.3%
2004	\$22,465,183	6.5%	15,117,556	2.6%	\$1.49	3.8%
2005	\$22,047,393	-1.9%	15,443,258	2.2%	\$1.43	-3.9%

Rental Car Revenue
per Enplaned Passenger

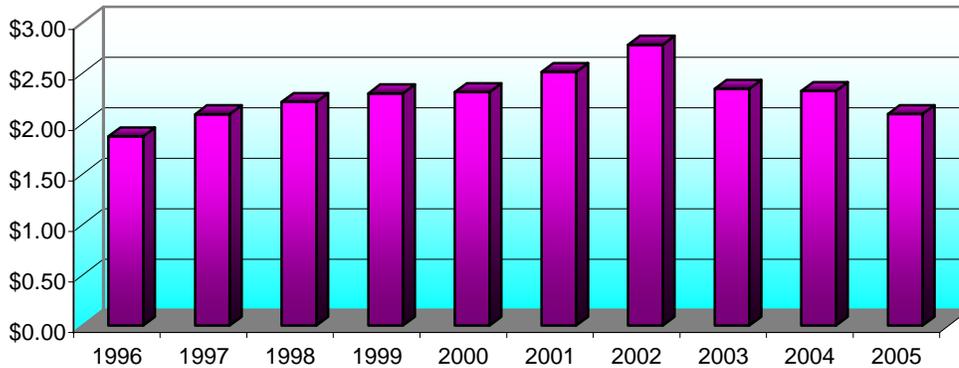


2005 Comprehensive Annual Financial Report

Terminal Rent Revenue Fiscal Years Ended September 30, 1996 to 2005

Fiscal Year	Terminal Rent Revenue		Enplaned Passengers		Revenue per Enplaned Passenger	
	Amount	% Change	Number	% Change	Amount	% Change
1996	\$31,347,924		16,741,266		\$1.87	
1997	\$35,993,936	14.8%	17,203,728	2.8%	\$2.09	11.7%
1998	\$37,697,494	4.7%	17,020,909	-1.1%	\$2.21	5.9%
1999	\$38,901,222	3.2%	16,922,877	-0.6%	\$2.30	3.8%
2000	\$38,910,426	0.0%	16,832,142	-0.5%	\$2.31	0.6%
2001	\$41,503,279	6.7%	16,523,588	-1.8%	\$2.51	8.7%
2002	\$40,820,093	-1.6%	14,674,174	-11.2%	\$2.78	10.7%
2003	\$34,561,447	-15.3%	14,739,909	0.4%	\$2.34	-15.7%
2004	\$35,103,016	1.6%	15,117,556	2.6%	\$2.32	-1.0%
2005	\$32,349,432	-7.8%	15,443,258	2.2%	\$2.09	-9.8%

Terminal Rent Revenue
per Enplaned Passenger

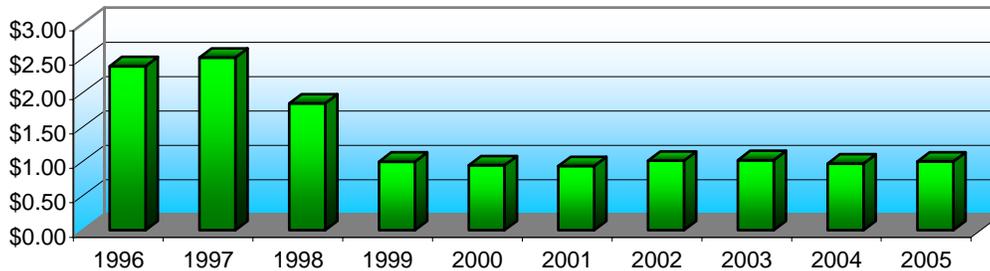


2005 Comprehensive Annual Financial Report

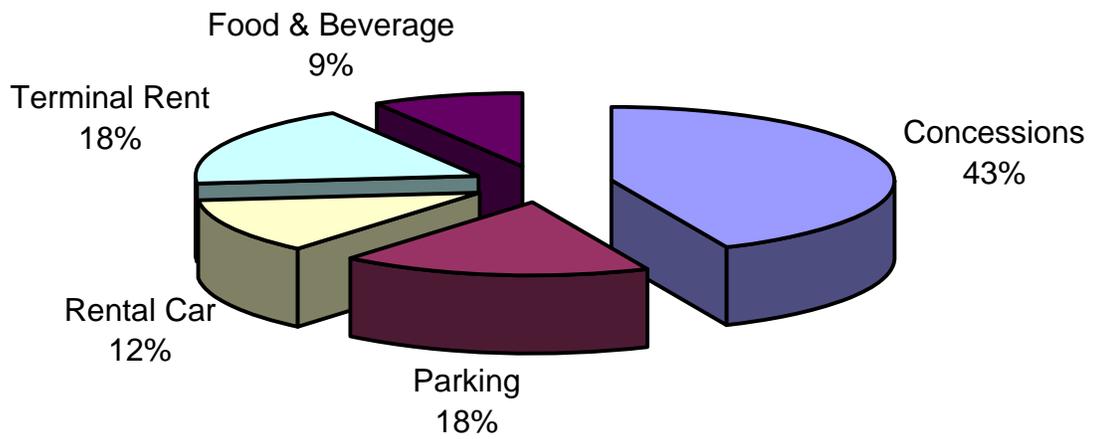
Food & Beverage Revenue Fiscal Years Ended September 30, 1996 to 2005

Fiscal Year	Food & Beverage Revenue		Enplaned Passengers		Revenue per Enplaned Passenger	
	Amount	% Change	Number	% Change	Amount	% Change
1996	\$39,948,653		16,741,266		\$2.39	
1997	\$43,162,043	8.0%	17,203,728	2.8%	\$2.51	5.1%
1998	\$31,362,430	-27.3%	17,020,909	-1.1%	\$1.84	-26.6%
1999	\$16,883,343	-46.2%	16,922,877	-0.6%	\$1.00	-45.9%
2000	\$15,880,167	-5.9%	16,832,142	-0.5%	\$0.94	-5.4%
2001	\$15,407,164	-3.0%	16,523,588	-1.8%	\$0.93	-1.2%
2002	\$14,840,977	-3.7%	14,674,174	-11.2%	\$1.01	8.5%
2003	\$15,026,517	1.3%	14,739,909	0.4%	\$1.02	0.8%
2004	\$14,652,311	-2.5%	15,117,556	2.6%	\$0.97	-4.9%
2005	\$15,423,261	5.3%	15,443,258	2.2%	\$1.00	3.0%

Food & Beverage Revenue
per Enplaned Passenger



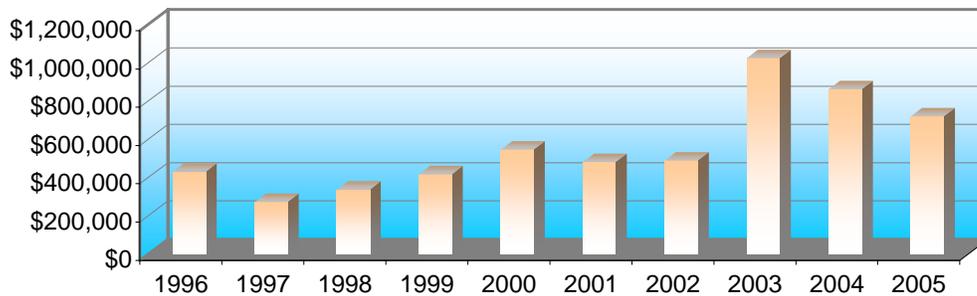
Revenue Summary
Fiscal Year 2005



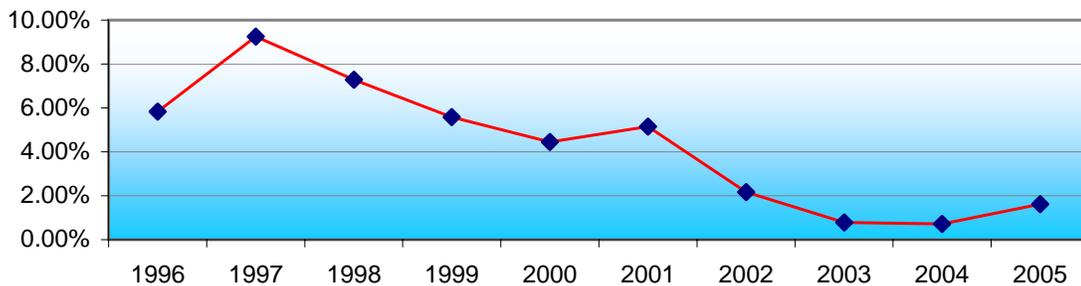
Cash/Investments and Yields Fiscal Years Ended September 30, 1996 to 2005 (In Thousands)

<u>Fiscal Year</u>	<u>Interest Income</u>	<u>Cash & Investments</u>	<u>Yield</u>
1996	\$25,111	\$429,801	5.84%
1997	\$25,151	\$271,910	9.25%
1998	\$24,460	\$335,840	7.28%
1999	\$23,267	\$416,422	5.59%
2000	\$24,258	\$545,903	4.44%
2001	\$24,773	\$481,057	5.15%
2002	\$10,614	\$488,173	2.17%
2003	\$7,950	\$1,023,274	0.78%
2004	\$6,218	\$861,559	0.72%
2005	\$11,616	\$718,927	1.62%

Cash and Investments



Cash and Investments Yields



Schedule of Statistical Information Last Ten Fiscal Years

Fiscal Year	Passengers	Cargo* (In Tons)	Flight Operations	Gross Landed Weight (In 1,000 lbs)
2005	30,912,091	1,991,652	482,081	36,587,910
2004	30,244,119	1,859,443	452,975	35,984,633
2003	29,532,547	1,799,226	448,884	36,519,311
2002	29,349,913	1,840,935	431,919	34,749,925
2001	33,048,741	1,763,292	388,738	33,985,284
2000	33,743,284	1,775,087	381,248	33,476,300
1999	34,003,492	1,942,119	381,670	31,850,670
1998	34,031,958	1,965,501	377,630	31,609,922
1997	34,375,177	1,942,119	381,670	31,899,545
1996	33,497,092	1,965,501	377,630	31,148,512

* *Cargo = Freight plus Mail*

2005 Comprehensive Annual Financial Report

Schedule of Revenues and Expenses

Last Ten Fiscal Years

(in thousands)	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
OPERATING REVENUES:										
Aviation fees	\$213,481	\$208,026	\$197,084	\$171,960	\$185,718	\$184,289	\$171,935	\$165,986	\$153,102	\$138,817
Rentals	89,255	91,167	88,609	100,458	100,273	100,100	101,968	103,235	90,987	87,144
Commercial operations:										
Management agreements	62,103	98,371	91,188	95,785	112,141	115,637	112,686	127,029	133,548	134,587
Concessions	77,520	73,174	74,057	75,287	74,338	72,140	63,612	56,222	54,431	47,864
Other	13,364	1,279	308	2,944	3,431	7,446	1,682	573	2,231	2,449
Other environmental remediation	39,758	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total operating revenue	\$495,481	\$472,017	\$451,246	\$446,434	\$475,901	\$479,612	\$451,883	\$453,045	\$434,299	\$410,861
OPERATING EXPENSES:										
Operating expenses	\$220,412	\$198,925	\$212,708	\$190,754	\$194,993	\$189,745	\$182,330	\$185,729	\$185,913	\$177,603
Operating expenses for environmental remediation	4,893	24,659	8,980	7,118	68,661	-	9,981	9,915	25,710	30,978
Operating expenses under management agreements	22,132	48,824	49,520	49,780	61,826	64,882	60,342	71,370	80,295	78,892
Operating expenses under operating agreements	31,221	30,435	28,560	26,658	30,066	23,792	21,278	19,148	20,011	17,995
General and administrative expenses	64,895	47,819	40,992	37,802	37,907	38,002	31,929	31,425	28,231	26,674
Depreciation and amortization	109,169	103,971	97,902	101,586	102,557	103,332	105,165	97,829	89,403	70,019
Total operating expenses	\$452,722	\$452,633	\$438,662	\$413,698	\$496,010	\$419,753	\$411,025	\$415,416	\$429,563	\$402,161
Operating income (loss)	\$42,759	\$19,384	\$12,584	\$32,736	(\$20,109)	\$59,859	\$40,858	\$37,629	\$4,736	\$8,700
NONOPERATING REVENUE (EXPENSE):										
Interest expense (net)	(113,535)	(87,762)	(126,754)	(92,689)	(90,434)	(97,503)	(93,278)	(88,836)	(76,949)	(68,146)
Interest income:										
Current investments	3,957	1,928	174	4,922	8,923	7,862	6,968	3,812	5,314	4,019
Restricted investments	7,659	4,290	7,776	5,692	15,850	16,396	16,299	20,648	19,837	21,092
Loss on disposition of assets	-	-	5,973	-	(3,823)	-	-	-	-	-
Passenger Facility Charges	59,571	58,472	51,657	46,982	45,754	43,309	-	-	-	-
Other nonoperating revenue	18,420	1,284	10,539	5,560	7,702	5,893	20,543	30,119	14,110	25,728
Total nonoperating expense (Loss) Income before capital contribution	(\$23,928)	(\$21,788)	(\$62,581)	(\$29,533)	(\$16,028)	(\$24,043)	(\$4,851)	(\$34,257)	(\$37,688)	(\$17,307)
Capital Contributions	25,483	31,532	62,845	44,968	24,891	-	-	-	-	-
Change in net assets before cumulative effect of change in accounting principle			\$12,848	\$48,171	(\$11,246)	\$35,816	(\$53,993)	\$3,372	(\$32,952)	(\$8,607)
Depreciation on fixed assets funded by grants from government agencies for the year ended 9-30-00, 99 & 98			-	-	-	10,876	11,073	8,805	-	-
Cumulative effect of change in accounting principle			-	-	-	-	-	-	-	-
Cumulative effect of change in accounting for depreciation on fixed assets funded by grants from government agencies			-	-	-	-	62,290	-	-	-
Change in net assets	\$44,314	\$29,128	\$12,848	\$48,171	(\$11,246)	\$46,692	(\$42,920)	\$74,467	(\$32,952)	(\$8,607)

Port Authority Properties Debt Service Coverage - Last Ten Fiscal Years (in thousands)

	Net Revenues Requirements	After Deposits Debt Service	Debt Service Coverage
2004-2005	\$187,555	\$141,161	1.32
2003-2004	\$206,090	\$140,071	1.47
2002-2003	\$194,789	\$134,898	1.44
2001-2002	\$191,547	\$133,774	1.43
2000-2001	\$179,755	\$129,599	1.32
1999-2000	\$181,840	\$129,596	1.40
1998-1999	\$161,318	\$121,999	1.32
1997-1998	\$144,072	\$114,624	1.26
1996-1997	\$132,668	\$108,731	1.22
1995-1996	\$132,544	\$100,120	1.32

Miami-Dade County Aviation Department Top Ten Passenger Carriers

Fiscal Year Ended September 30, 2005

Airline	Passengers Carried	% of Passenger Traffic
American Airline	19,124,297	62%
Delta Airlines	1,199,659	4%
American Eagle	1,188,476	4%
Continental	777,719	3%
U.S. Airways	696,078	2%
Northwest	503,123	1.5%
United Airlines	490,509	2%
British Airways	474,148	1.5%
TACA	427,662	1%
Avianca	426,313	1%
Others	5,604,107	18%
Total:	30,912,091	100%

Fiscal Year Ended September 30, 2004

Airline	Passengers Carried	% of Passenger Traffic
American Airlines	17,488,890	58%
United Airlines	1,316,298	4%
Delta Airlines	1,089,630	4%
American Eagle	939,004	3%
Continental Airlines	903,002	3%
U.S. Airways	717,790	2%
Northwest Airlines	497,866	2%
British Airways	457,216	2%
TACA Int'l	384,036	1%
AirTran Airways	378,822	1%
Others	6,071,565	20%
Total:	30,244,119	100%

MAJOR EMPLOYERS IN MIAMI-DADE COUNTY

(As of December 2005)

Company Name	Employees
Miami-Dade County Public Schools	50,000
Miami-Dade County	30,000
Federal Government	20,300
Florida State Government	18,300
Baptist Health South Florida	10,683
Jackson Health System	10,453
University of Miami	9,367
American Airlines	9,000
Miami-Dade College	5,400
United Parcel Service	5,000
BellSouth	4,800
Winn-Dixie Stores	4,616
Precision Response Corporation	4,196
Publix Supermarkets	4,000
City of Miami	3,954
Florida Power & Light Company	3,665
Florida International University	3,500
Macy's	3,368
Royal Caribbean International/Celebrity Cruises	3,300
Carnival Cruise Lines	3,000
Mount Sinai Medical Center	3,000
Miami Children's Medical Center	2,571
Wachovia, N.A.	2,500
Mercy Hospital	2,433
Cordis (a Johnson & Johnson Company)	2,200
Assurant Solutions	2,000
Cedars Medical Center	2,000
Miami Herald Publishing Co.	2,000
Burger King Corporation	1,907
City of Miami Beach	1,839
Beckman Coulter Corp.	1,800
City of Hialeah	1,800
MasTec	1,800
Bank of America	1,700
Boston Scientific	1,500
U.S. Coast Guard	1,224
U.S. Southern Command	1,200
City of Coral Gables	1,059
City of North Miami Beach	761

Source: The Beacon Council

AIRLINES SERVING MIAMI INTERNATIONAL AIRPORT

SEPTEMBER 2005

70 Scheduled Carriers

17 Charter Carriers

15 US Scheduled Passenger/Cargo Carriers

7 US Passenger/Cargo Carriers

31 Foreign Scheduled Passenger/Cargo Carriers

5 US All-Cargo Carriers

15 US Scheduled All-Cargo Carriers

2 Foreign Passenger/ Cargo Carriers

9 Foreign Scheduled All-Cargo Carriers

3 Foreign All-Cargo Carriers

15 US SCHEDULED PASSENGER/CARGO CARRIERS INCLUDING COMMUTERS

AIR TRAN	DELTA CONNECTION (Chautauqua Airlines)
AMERICA WEST AIRLINES	GULFSTREAM INTERNATIONAL
AMERICAN AIRLINES	LYNX AIR INTERNATIONAL
AMERICAN EAGLE (Executive Airlines)	NORTHWEST AIRLINES
COMAIR (Delta Connection)	TED (UNITED AIRLINES)*
CONTINENTAL AIRLINES	US AIRWAYS
CONTINENTAL CONNECTION (Gulfstream Int'l Airlines)	US AIRWAYS EXPRESS (Mesa Air Group)
DELTA AIR LINES	

15 US SCHEDULED ALL-CARGO CARRIERS

ABX AIR	MERLIN AIRWAYS (FedEx Feeder)
AIR TAHOMA (FedEx Feeder)	MOUNTAIN AIR CARGO (FedEx Feeder)
AMERIJET	POLAR AIR CARGO
ARROW CARGO	PHOENIX AIR
ASTAR AIR CARGO	TRADEWINDS AIRLINES
FEDEX EXPRESS	UNITED PARCEL SERVICE (UPS)
FLORIDA WEST INTERNATIONAL	
KITTY HAWK AIR CARGO	
IBC AIRWAYS	

31 FOREIGN SCHEDULED PASSENGER/CARGO CARRIERS

AEROLINEAS ARGENTINAS	(ARGENTINA)	LLOYD AERO BOLIVIANO (LAB)	(BOLIVIA)
AEROMEXICO	(MEXICO)	LACSA	(COSTA RICA)
AEROPOSTAL	(VENEZUELA)	LAN ECUADOR	(ECUADOR)
AIR CANADA	(CANADA)	LAN	(CHILE)
AIR FRANCE	(FRANCE)	LAN PERU	(PERU)
AIR JAMAICA	(JAMAICA)	LTU	(GERMANY)
ALITALIA	(ITALY)	LUFTHANSA	(GERMANY)
AVIACSA	(MEXICO)	MARTINAIR	(HOLLAND)
AVIANCA	(COLOMBIA)	MEXICANA	(MEXICO)
BAHAMASAIR	(BAHAMAS)	SANTA BARBARA AIRLINES	(VENEZUELA)
BRITISH AIRWAYS	(U.K.)	SWISS INT'L AIRLINES	(SWITZERLAND)
BWIA	(TRINIDAD & TOBAGO)	TACA	(EL SALVADOR)
CAYMAN AIRWAYS	(CAYMAN ISLANDS)	TAM	(BRAZIL)
COPA	(PANAMA)	VARIG	(BRAZIL)
EL AL	(ISRAEL)	VIRGIN ATLANTIC	(U.K.)
IBERIA	(SPAIN)		

9 FOREIGN SCHEDULED ALL-CARGO CARRIERS

ABSA	(BRAZIL)	ESTAFETA	(MEXICO)
AEROMEXPRESS	(MEXICO)	MAS AIR	(MEXICO)
CHINA AIRLINES	(TAIWAN)	TAMPA CARGO	(COLOMBIA)
CIELOS DEL	PERU(PERU)	VARIGLOG	(BRAZIL) DHL
AEROEXPRESO	(PANAMA)		

AIRLINES SERVING MIAMI INTERNATIONAL AIRPORT

SEPTEMBER 2005

17 CHARTER CARRIERS

7 US PASSENGER/CARGO CARRIERS

CHAMPION AIR	PLANET AIRWAYS
FALCON AIR EXPRESS	RYAN INTERNATIONAL
MIAMI AIR INTERNATIONAL	WORLD AIRWAYS
NORTH AMERICAN	

5 US ALL-CARGO CARRIERS

AMERISTAR	CENTURION AIR CARGO
ATLAS AIR	GEMINI AIR CARGO
CAPITAL CARGO INTERNATIONAL	

2 FOREIGN PASSENGER/CARGO CARRIERS

EUROFLY	(ITALY (Seasonal))
---------	--------------------

SURINAM AIRLINES
(SURINAME)

3 FOREIGN ALL-CARGO CARRIERS

AEROUNION	(MEXICO)
AVIALEASING	(UZBEKISTAN)
CARGOLUX AIRLINES	(LUXEMBOURG)

*Denotes new listing for the current month.

2005
Comprehensive Annual Financial Report

(This page intentionally left blank)

