



Broward County Aviation Department
A Major Fund of Broward County, Florida
Financial Statements
For the Years Ended September 30, 2019 and 2018

BROWARD COUNTY AVIATION DEPARTMENT
FINANCIAL STATEMENTS
TABLE OF CONTENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

Independent Auditor’s Report.....	3
Management’s Discussion and Analysis (Unaudited).....	5
Financial Statements:	
Statements of Net Position.....	20
Statements of Revenues, Expenses and Changes in Net Position.....	22
Statements of Cash Flows.....	23
Notes to Financial Statements.....	25
Required Supplementary Information (Unaudited):	
Schedule of Change in BCAD’s Other Post Employment Benefits Liability and Related Ratios....	64
Schedule of the Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	65
Schedule of Contributions – Florida Retirement System Pension Plan	65
Schedule of the Proportionate Share of the Net Pension Liability – Florida Retirement System Health Insurance Subsidy Plan	66
Schedule of Contributions – Florida Retirement System Health Insurance Subsidy Plan	66
Note to Required Supplementary Information	67
Supplementary Information (Unaudited):	
Schedule of Net Revenue and Debt Service Coverage Calculation	68
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69



RSM US LLP

Independent Auditor's Report

To The Honorable Board of County Commissioners
Broward County Aviation Department
Broward County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Broward County Aviation Department (BCAD), an enterprise fund of Broward County, Florida, as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise BCAD's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BCAD as of September 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements present only BCAD and do not purport to, and do not, present fairly the financial position of Broward County, Florida as of September 30, 2019 and 2018, and its changes in financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to the pension and other post-employment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise BCAD's basic financial statements. The schedules of net revenue and debt service coverage calculation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of net revenue and debt coverage calculation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of net revenue and debt coverage calculation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020 on our consideration of the BCAD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the BCAD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCAD's internal control over financial reporting and compliance.

RSM US LLP

Fort Lauderdale, Florida
March 26, 2020

BROWARD COUNTY AVIATION DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance and activity of the Broward County Aviation Department (BCAD) is to provide an introduction and overview for readers to interpret BCAD's financial statements for the years ended September 30, 2019 and 2018. 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. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Introduction

BCAD operates the Fort Lauderdale/Hollywood International Airport (FLL) and the North Perry Airport (HWO). FLL is a large hub airport and has had scheduled airline service since 1953. HWO is a general aviation facility that is categorized as a basic utility high activity airport and is currently designated as a general aviation reliever airport for FLL.

BCAD operates as an enterprise fund of the County. It is self-supporting and does not rely on local tax dollars to fund its operations. Operating revenues must therefore be generated from aviation users, automobile parking, concessions, investment income, and other non-operating revenues in order to (1) cover the airport system's operating expenses, debt service payments, certain capital outlays, and other requirements, and (2) comply with the rate covenant provided in the Bond Resolution.

Financial Highlights for fiscal year 2019

- BCAD's assets and deferred outflows of resources exceeded liabilities and deferred inflows at the close of fiscal year 2019 by \$1.56 billion.
- Total revenue bonds payable were \$2.2 billion at September 30, 2019, a decrease of \$72.9 million, or 3.2%, over fiscal year 2018, attributed the repayment of bond principal.
- Operating revenues were \$306.1 million in fiscal year 2019, which represents a 7.5% increase over fiscal year 2018, primarily due to an increase in airline revenues as a result of an increase in enplanements and landed weights of 2.9% and 2.8%, respectively. There was also a noteworthy increase of \$4.2 million, or 10.4%, in concession revenues due to higher levels of passenger spending in addition to the increased activity levels. Other non-airline revenues such as non-airline terminal rents and other rents decreased 10.2% due to decreased rates, parking showed an increase of 1.6% and rental car revenues were flat for the fiscal year.
- Operating expenses were \$196.7 million in fiscal year 2019, representing an 11.9% increase over fiscal year 2018. The increase is mainly due to increases in salaries, wages and benefits, security services, law enforcement and fire rescue, insurance and maintenance.
- Capital contributions were \$54.1 million in fiscal year 2019 and are comprised primarily of amounts received from the Federal Aviation Administration's (FAA), and Florida Department of Transportation (FDOT).
- Net position increased by \$46.3 million, or 3.1%, over fiscal year 2018.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Activity Highlights

Passenger enplanements at FLL increased 2.9% during fiscal year 2019, resulting in another year of record levels of enplanements. The increase in enplanements in fiscal year 2018 over fiscal year 2017 was 11.7%. A slight increase in commercial aviation operations of 0.8%, an increase in cargo operations of 10.3% and a decrease in general aviation operations of 3.4% resulted in an overall marginal increase in aircraft operations in fiscal year 2019 of 0.3% compared with fiscal year 2018. Below is a comparative table of activities by fiscal year:

Activity	Fiscal Years Ended September 30		
	2019	2018	2017
Enplanements	18,164,427	17,656,324	15,805,217
Landed weight (1,000 pounds)			
Passenger airlines	19,166,207	18,605,080	16,816,732
Cargo airlines	490,556	470,662	528,758
General aviation	486,483	527,759	454,634
Total landed weight	20,143,245	19,603,500	17,800,124
Aircraft operations	323,648	322,667	298,712

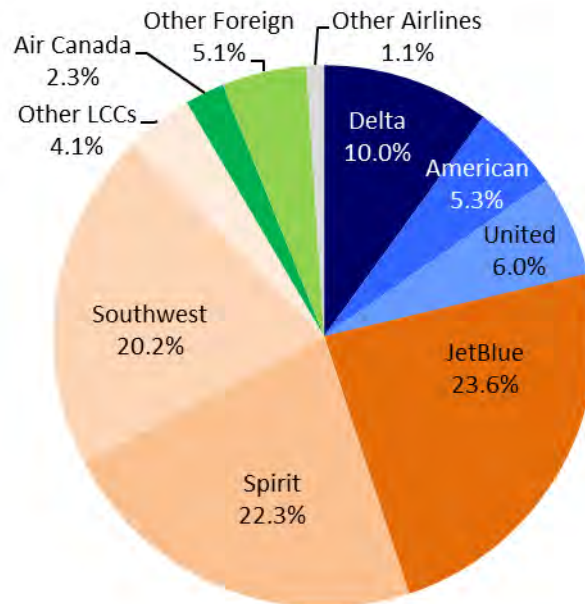
Airline Market Share and Passenger Enplanements

In fiscal year 2019, the nine Signatory Airlines represented 93% of enplanements, of which the top five airlines totaled 82% and with no carrier above 24%. This diversity reduces the reliance on the performance of one dominant airline.

Passenger Enplanements	Fiscal Years Ended September 30					
	2019		2018		2017	
JetBlue Airways	4,295,418	24%	4,284,617	24%	3,976,918	25%
Spirit Airlines	4,053,992	22%	3,545,132	20%	3,092,263	20%
Southwest Airlines	3,671,169	20%	3,735,073	21%	2,992,568	19%
Delta Air Lines	1,813,691	10%	1,728,709	10%	1,644,120	10%
United Airlines	1,087,381	6%	1,079,231	6%	918,205	6%
American Airlines	965,141	5%	1,059,204	6%	1,133,179	7%
Air Canada	424,174	2%	411,458	2%	404,578	3%
Allegiant Air	480,444	3%	424,439	2%	334,586	2%
Silver Airways	182,444	1%	199,432	1%	163,663	1%
Others	1,190,573	7%	1,189,029	7%	1,145,137	7%
Total Enplanements	18,164,427	100%	17,656,324	100%	15,805,217	100%

BROWARD COUNTY AVIATION DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Low Cost Carriers' (LCC) market share of enplanements (shaded in orange hues below) was 70.2% in fiscal year 2019, which represents an increase of 1.3 percentage points compared with fiscal year 2018 and a significant increase from the LCC's 57.1% market share ten years ago.



Overview of the Financial Statements

As an enterprise fund, BCAD engages only in business-type activities, which are reported in the financial statements using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Capital assets are capitalized and, with the exception of land and construction in progress, are depreciated over their useful lives.

The **Statement of Net Position** includes all of BCAD's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether BCAD's financial position is improving or deteriorating.

Revenues and expenses are accounted for in the **Statement of Revenues, Expenses and Changes in Net Position**. This statement measures the success of BCAD's operations over the past year and can be used to determine whether BCAD has recovered all of its costs through its user fees and other charges.

The **Statement of Cash Flows** provides information about BCAD's cash receipts, cash payments and net changes in cash resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

The notes to the financial statements provide required disclosures and other information that are essential to the full understanding of data provided in the statements. In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the progress in funding the obligation to provide post-employment and pension benefits.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Position

The Statement of Net Position presents BCAD's financial position at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The following is a comparative summary of BCAD's assets, deferred outflow of resources, liabilities, deferred inflows of resources, and net position for the fiscal years ended September 30, 2019, 2018, and 2017 (in thousands):

Net Position			
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Current and other assets	\$ 991,009	\$ 1,094,945	\$ 823,412
Capital assets, net	3,078,697	2,927,661	2,838,002
Total assets	4,069,706	4,022,606	3,661,414
Deferred outflow of resources	12,675	12,513	10,818
Liabilities			
Current liabilities	350,079	277,151	235,002
Noncurrent liabilities	2,167,374	2,239,027	1,970,412
Total liabilities	2,517,453	2,516,178	2,205,414
Deferred inflow of resources	2,597	2,941	1,587
Net investment in capital assets	979,509	962,858	963,651
Restricted	451,348	433,820	396,050
Unrestricted	131,474	119,322	105,530
Total Net Position	\$ 1,562,331	\$ 1,516,000	\$ 1,465,231

Total net position as of September 30, 2019, was \$1.56 billion, representing an increase of \$46.3 million, or 3.1% compared to 2018. Total net position as of September 30, 2018, was \$1.52 billion, representing an increase of \$50.8 million, or 3.5%, compared to 2017.

At September 30, 2019, 62.7% of BCAD's net position is represented by its net investment in capital assets. These capital assets are used to provide services to passengers and visitors to the airports. The restricted portion (28.9% at September 30, 2019), of net position relates to assets that are subject to external restrictions on how they can be used under bond resolution covenants and Passenger Facility Charge regulations. The remaining unrestricted net position (8.4% at September 30, 2019), may be used to meet any of BCAD's ongoing obligations.

Capital assets, net of depreciation increased by \$151 million, or 5.2%, from \$2.92 billion at September 30, 2018, to \$3.08 billion at September 30, 2019 and by \$89.7 million, or 3.2%, during fiscal year 2018. The increase is mainly attributable to construction in progress relating to the renovations at Terminal 2, 3, and 4, as well as the North Runway.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Current and other assets at September 30, 2019, totaled \$991 million, representing a decrease of \$103.9 million, or 9.5 %, compared to September 30, 2018, primarily due to a reduction in unspent bond proceeds as construction in progress on major projects continued.

Current and other assets at September 30, 2018, totaled \$1.09 billion, representing an increase of \$271.5 million, or 33 %, compared to September 30, 2017, primarily due to unspent bond proceeds and an increase in bond reserves from bonds issued in November 2017 for the Terminal Projects and other major capital projects.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 65, **deferred outflows and inflows of resources** are reported separately from assets and liabilities. BCAD has three items that qualify for reporting as deferred outflows and inflows of resources. The first item relates to a loss on refunding from a bond refunding in fiscal year 2015, offset by a gain on refunding from a bond refunding during fiscal year 2017 that is reported as a deferred outflow of resources. There was a decrease in the deferred amount during fiscal year 2017 due to amortization. The second item relates to deferred variances according to GASB Statement No. 68. These deferred variances can occur due to actuarial assumptions that differ between the actual pension plan experience and the original actuarial assumed rates. Differences can result from, among others, earnings on investments, changes in assumptions, and other experience gains or losses. A variance represents a gain or a loss, shown as deferred inflows of resources or deferred outflows of resources, respectively, in the statements of net position. These deferred outflows and inflows are amortized in accordance with the provisions of GASB Statement No. 68. Furthermore, employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources. Deferred outflows on pensions increased by \$0.148 million in fiscal year 2019 compared to fiscal year 2018 and the level of deferred inflows on pensions decreased by \$0.388 million during the same period. The third item relates to deferred variances according to GASB Statement No. 75. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for other postemployment benefits (OPEB). Deferred outflows on OPEB are \$174,000 in fiscal year 2019 compared to \$54,000 in fiscal year 2018. Deferred inflows on OPEB increased to \$66,000 in fiscal year 2019 from \$23,000 in the prior fiscal year.

Current liabilities at September 30, 2019, are \$350.1 million representing an increase of \$72.9 million, or 26.3%, over the prior year. This is attributable to an increase in unearned revenues and due to other County funds as well as accounts payable. During fiscal year 2018 current liabilities increased by \$42.1million, or 17.9% over 2017.

Noncurrent liabilities decreased by \$71.7 million, or 3.2%, during fiscal year 2019 due to the repayment of bond principal. Noncurrent liabilities increased by \$268.6 million, or 13.6%, during fiscal year 2018 compared to fiscal year 2017 mainly due to the issue of the Series 2017A Bonds in November 2017.

At September 30, 2019, there were \$173.1 million in unamortized bond premiums, net of unamortized bond discounts, primarily from the new money issues in fiscal years 2012, 2013, 2015 and 2017, and the refunding issues in fiscal years 2012 and 2015. At September 30, 2018, there were \$182.3 million in unamortized bond premiums, net of unamortized bond discounts.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues, Expenses and Changes in Net Position

Below is a comparative summary of BCAD's revenues, expenses and changes in net position for the fiscal years ended September 30, 2019, 2018, and 2017 (in thousands):

Summary of Revenues, Expenses and Changes in Net Position	Fiscal Years Ended September 30		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues	\$ 306,141	\$ 284,678	\$ 245,835
Operating Expenses	196,692	175,841	162,031
Operating income before depreciation	109,449	108,837	83,804
Depreciation	126,073	114,318	99,688
Operating Income	(16,624)	(5,481)	(15,884)
Nonoperating Revenues (Expenses)	8,814	4,628	6,001
Capital Contributions	54,141	51,979	43,699
Change in Net Position	46,331	51,126	33,816
Net Position , as previously reported	1,516,000	1,465,231	
Cumulative effect of adoption of GASB Statement No. 75	-	(357)	
Total Net Position - Beginning of Year, as restated	1,516,000	1,464,874	1,431,415
Total Net Position - End of Year	\$ 1,562,331	\$ 1,516,000	\$1,465,231

In fiscal year 2019, operating revenues increased by \$21.5 million, or 7.5%, while operating expenses increased \$20.9 million, or 11.9%, compared to the same period last year.

During fiscal year 2018, operating revenues increased by \$38.8 million, or 15.8%, while operating expenses increased \$13.8 million, or 8.5%, compared to fiscal year 2017.

Overall, BCAD's net position increased by \$46.3 million in fiscal year 2019 compared to an increase of \$50.8 million during fiscal year 2018. Details of operating revenues and expenses and variances to prior years are provided in the following sections.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

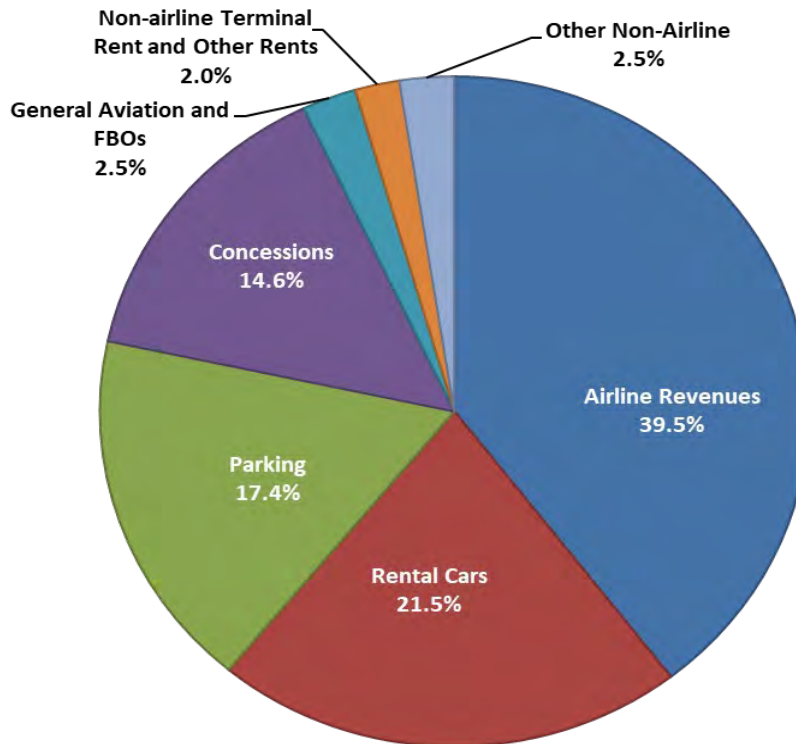
Operating Revenues

The major sources of operating revenues for the fiscal years ended September 30, 2019, 2018, and 2017 are (in thousands):

Operating Revenues	Fiscal Years Ended September 30		
	2019	2018	2017
Airline revenues	\$ 121,053	\$ 104,874	\$ 77,665
Rental cars	65,645	65,649	64,872
Parking	53,228	52,409	48,209
Concessions ¹	44,797	40,583	37,138
General aviation and fixed based operators	7,575	7,451	6,766
Non-airline terminal rent and other rents	6,222	6,926	5,247
North Perry Airport	1,561	1,476	1,404
Cargo	2,066	2,037	1,714
Miscellaneous operating revenues	3,994	3,273	2,820
Total Operating Revenues	\$ 306,141	\$ 284,678	\$ 245,835

¹Concessions exclude rental car commissions, which are included in Rental cars.

Fiscal year 2019 operating revenues by source as a percentage of total operating revenues are:



BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Airline revenues are calculated in accordance with the Airline Lease and Use Agreements. The contractual rate-making formula in the agreements is based on a residual cost approach, which annually projects non-airline operating revenues and deducts this amount from the projected operating expenses, including debt service and cash-funded capital costs. The residual amount remaining is the amount the Signatory Airlines pay through their annual terminal rentals and landing fees, and forms the basis of the airline Cost Per Enplanement ("CPE"), a common industry measure. The airline agreements require that landing fees and terminal rentals be reviewed annually and adjusted, as necessary, so that the total revenue is sufficient to meet BCAD's requirements, as determined by the agreements. At the end of a fiscal year, after all required deposits have been made, any remaining excess funds are used to meet the requirements in the following fiscal year. This excess is recorded as a liability (unearned revenues) through a revenue accounting adjustment to current year operating revenues.

Airline revenues increased by \$16.2 million, or 15.4%, in fiscal year 2019, in accordance with the residual rate-making formula in the airline agreements, as well as an increase in the level of activity. Airline revenues represented 39.5% of overall operating revenues in fiscal year 2019, resulting in a favorable CPE of \$6.89 that is significantly below the industry average for a large hub airport.

Airline Cost per Enplanement (in thousands)	Fiscal Years Ended September 30		
	2019	2018	2017
Airline revenues	\$ 121,053	\$ 104,874	\$ 77,665
Take out: Airline revenue adjustment	4,035	31,349	(779)
Airline revenues, excluding revenue adjustment	\$ 125,088	\$ 136,223	\$ 76,886
Enplaned passengers	18,164,427	17,656,324	15,805,217
Average Cost Per Enplanement (CPE)	\$6.89	\$7.72	\$4.86

Airline revenues increased by \$27.2 million, or 35%, in fiscal year 2018 mainly due to an increase in airline activity compared to the prior year. Airline revenues represented 36.8% and 31.6% of overall operating revenues in fiscal years 2018 and 2017, respectively.

Non-airline revenues represented 60.5% of total operating revenues in fiscal year 2019. The main categories of non-airline revenues are rental car revenues, parking revenues, and concessions. Revenues from parking and concessions have been increasing over the last few years, due to increases in passenger activity. Concession revenue also enjoyed increased sales per passenger versus 2018 as new concessions opened partly through 2018 and in 2019. After decreasing in 2017 rental car revenue increased year over year in 2018 and was flat in 2019. Rental cars are experiencing decreased sales per passenger due partly to other transportation options, but a new agreement with the rental car companies allowing additional companies into the rental car facility will help mitigate this trend going forward. The overall increase in non-airline revenues year over year has contributed to the ability to maintain low terminal rents and landing fees that result in a low CPE. This low-cost structure makes FLL attractive to air carriers, especially low-cost carriers.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Rental car revenues, including customer facility charges ("CFCs") and rental car commissions were flat in fiscal year 2019 when compared to fiscal year 2018. In fiscal year 2018 rental car revenues increased by \$0.8 million, or 1.2%. Rental car revenues represented the largest source of non-airline revenues in fiscal year 2019 at 21.4% of total operating revenues. CFCs are fees charged by the on-airport rental car companies and are a per-day charge on a car rental. In addition to certain ground rental payments, BCAD receives revenues from automobile rental companies under agreements which guarantee annual minimum payments or, if greater, a percentage of gross revenues from automobile rentals at FLL. BCAD negotiated a new rental car agreement effective fiscal year 2020 with seven rental car companies representing 14 brands operating at the consolidated rental car facility located on airport property. This agreement results in three new brands operating at the facility (with one brand exiting), and will enhance revenue through additional CFC's from the new entrants, and revenue and rent enhancements included in the negotiations.

Parking revenues increased by \$0.8 million or 1.6% in fiscal year 2019, following an increase of \$4.2 million, or 8.7% in fiscal year 2018 compared to 2017. At 17.4% of operating revenues for fiscal year 2019, the County-owned parking facilities at FLL are one of the largest sources of revenues other than payments by the airlines and rental car revenue. Since fiscal year 2008 passengers have increasingly sought alternative transportation to and from the airport, including the use of TNCs and a shift toward less expensive off-site airport parking. In addition, there has been a shift in the mix of passengers from local residents, who use the parking facilities, towards visitors to South Florida. The parking facilities also compete with several off-airport private parking operators that provide free shuttle service to their customers.

Concession revenues (excluding rental car commissions) increased by \$4.2 million or 10.4% in fiscal year 2019 versus 2018, and \$3.4 million, or 9.3%, in fiscal year 2018, compared to fiscal year 2017. Concession revenues, which accounted for 14.6% of total operating revenues in fiscal year 2019, increased mainly due to improved concessions and the introduction of new food and beverage concessions. Within the category of concessions, food and beverage amounted to \$21.0 million (6.9%) of operating revenue. Retail including news and gift, specialty retail, and duty free amounted to \$11 million (3.6%) of fiscal year 2019 operating revenues. BCAD has a proactive approach to increasing non-airline revenues, which includes the renovation of concession areas and soliciting new concession vendors. The revenues paid to BCAD under these concession agreements are usually based on the greater of certain annual minimum guarantees or a percentage of gross revenues received by the concessionaires.

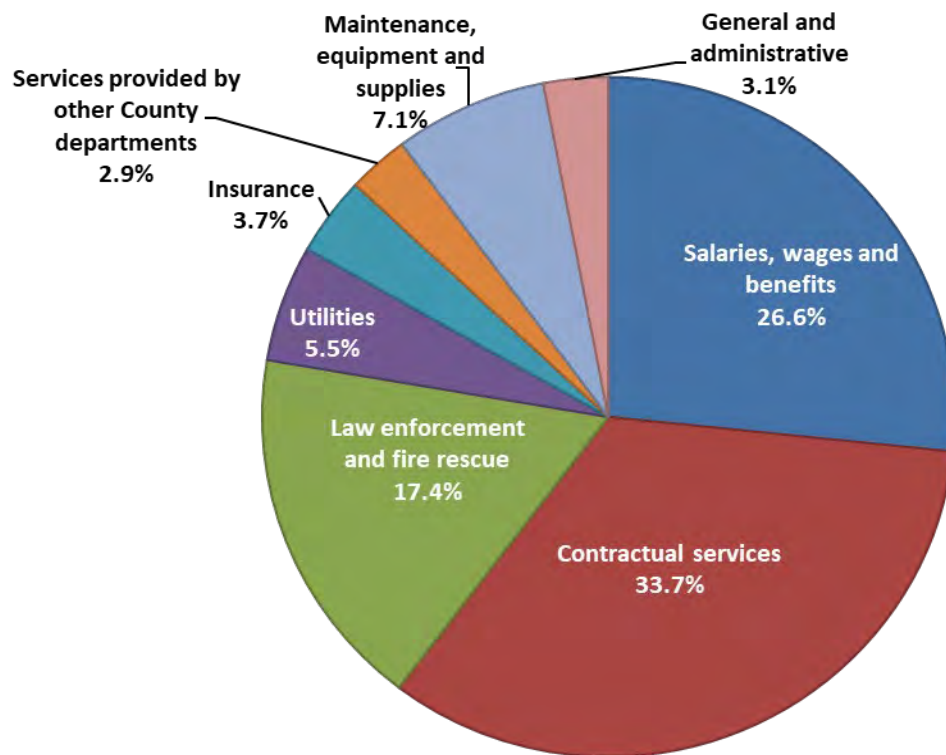
BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Expenses

The table below shows the major categories of operating expenses, excluding depreciation, for the fiscal years ended September 30, 2019, 2018, and 2017 (in thousands):

Operating Expenses	Fiscal Years Ended September 30		
	2019	2018	2017
Salaries, wages and benefits	\$ 52,380	\$ 44,366	\$ 41,005
Contractual services	66,295	62,339	54,984
Law enforcement and fire rescue	34,125	31,625	30,558
Utilities	10,901	10,898	11,603
Insurance	7,355	5,115	4,639
Services provided by other County departments	5,649	5,194	5,266
Maintenance, equipment and supplies	14,050	11,012	7,630
General and administrative	5,937	5,292	6,346
Total Operating Expenses	\$ 196,692	\$ 175,841	\$ 162,031

The chart below shows the distribution of operating expenses, excluding depreciation, for the fiscal year 2019:



BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall operating expenses in fiscal year 2019 increased by \$20.9 million or 11.9% compared to fiscal year 2018.

Salaries, wages and benefits increased by \$8.0 million, or 18.1%, in fiscal year 2019 from fiscal year 2018 due to increased headcount as a result of the increase in airport activity, additional terminal facilities and an increased focus on security, customer service and maintenance. Similarly, in fiscal year 2018 salaries, wages and benefits increased by \$3.4 million, or 8.2%, from fiscal year 2017. Salaries, wages and benefits accounted for 26.6% of total operating expenses before depreciation in fiscal year 2019.

Contractual services consist mainly of parking and ground transportation management fees, shuttle service costs, security costs, janitorial and other maintenance contracts, and various professional fees. Contractual services increased by \$4.0 million, or 6.3%, in fiscal year 2019 from fiscal year 2018 as a result of increased ground transportation management fees and also consulting planning costs relating to the rental car facility concessions program.

Law enforcement and fire rescue expenses increased \$2.5 million, or 7.9%, in fiscal year 2019 to \$34.1 million from \$31.6 million in fiscal year 2018. These expenses represented 17.3% of total operating expenses before depreciation in fiscal year 2019. Law enforcement and fire rescue expenses increased \$1.1 million, or 3.5%, in fiscal year 2018 compared to \$30.6 million in fiscal year 2017.

Utilities expenditure in fiscal year 2019 was flat to fiscal year 2018. There was a decrease in utilities in fiscal year 2018 compared to the prior year was \$0.7 million, or 6.1%, due to the conversion of more cost effective LED lighting.

Insurance costs escalated by \$2.2 million, or 43.8%, from fiscal year 2019 to fiscal year 2018, due to an increase in the insurance premiums as a result of improved property appraisal values. This category of expenditure increased by \$0.5 million, or 10.3%, from fiscal year 2017 to fiscal year 2018.

Services provided by other County departments increased by \$0.5 million, or 8.8%, in fiscal year 2019 from fiscal year 2018. The increase in services provided by other County departments is mainly attributable to increased litigation costs due to noise mitigation and construction claims as well as a credit card lawsuit. Services provided by other County departments decreased by \$0.1 million, or 1.4%, in fiscal year 2018, which was mainly attributable to Fleet Services as a result of FLL's increased construction activity and expanded facilities and operation.

Maintenance, equipment and supplies increased by \$3.0 million, or 27.6%, from fiscal year 2019 to fiscal year 2018, mainly due to required additional services and supplies. In addition there were new contracts with increased rates put in place for fire system maintenance, the servicing of the elevators and escalators as well as for air conditioning repairs. Maintenance, equipment and supplies increased by \$3.4 million, or 44.3%, from fiscal year 2018 to fiscal year 2017 due to additional services and supplies for new facilities.

General and administrative services increased by \$0.6 million, or 12.2%, in fiscal year 2019, compared to fiscal year 2018, which, in turn, was \$1.1 million, or 16.6%, lower than fiscal year 2017. The increase in fiscal year 2019 is mainly attributable to advertising and the increased rates from moving to a new internet provider. The decrease in fiscal year 2018 is mainly a result of the completion of some marketing programs related to promotion of the new terminal facilities that opened in late 2017 and early 2018 and new/upgraded parking facilities and services.

Depreciation expense increased \$14.6 million or 14.7% in fiscal year 2018 compared to prior year and an additional \$11.8 million or 10.3% in fiscal year 2019 due to assets placed in service as a result of the ongoing airport expansion and improvement program.

Non-operating revenues (expenses), represent passenger facility charges (PFCs), interest income and expense, bond issuance costs, and other non-operating revenues and expenses. Overall non-operating revenues, net of expenses,

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

are higher in fiscal year 2019 than the prior year by \$4.2 million. This is mainly attributable to \$20.1 million increase in interest income, \$14.5 million increase in federal grants, \$5.0 million in gains on disposal of capital assets and a \$1.8 million increase in Passenger Facility Charges. They were offset by \$19.8 million increased noise mitigation costs, and \$18.0 million increased interest expense incurred due to the new bond series in fiscal year 2017.

PFCs increased \$1.8 million, or 2.5% in fiscal year 2019 compared to fiscal year 2018 due to increased passenger numbers, which is also the reason for the \$7.6 million or 11.6% increase in fiscal year 2018 over the prior fiscal year. PFCs are authorized for collection at FLL at \$4.50 per enplaning passenger and remitted to the airport net of a \$0.11 collection charge retained by the airlines.

Capital contributions consist of grants from the federal and state governments. Capital contributions in fiscal year 2019 were \$2.2 million higher at \$54.1 million compared to \$52.0 million in fiscal year 2018.

Grants contributing to airfield totaled \$41M which related to the costs for North Runway Rehabilitation & South Runway Extension.

Capital Acquisition and Construction Activities

During fiscal year 2019 BCAD expended \$242.9 million on capital acquisitions and projects under construction, compared to \$151.1 million during fiscal year 2018. The amounts expended on capital acquisitions and major projects under construction during fiscal year 2019 are as follows (in thousands):

FY 2019 Capital Outlays	
Capital Acquisitions and Projects under Construction during Fiscal Year 2019	
Noise Mitigation Avigation Easements relating to South Runway Expansion	\$ 8,213
Miscellaneous Capital Acquisitions <\$1 million	11,790
Projects Under Construction:	
Terminal Improvements	98,983
Airfield Projects	66,693
Terminal In-line Baggage Systems	17,587
Utilities Upgrades	17,614
Terminal Roadway	5,373
Terminal Connectors	5,610
Campus Wayfinding Plan	4,793
System Improvements	3,537
Airport Master Plan	761
Airport Noise Compatibility Planning	472
Parking Facility and System Improvements	157
Miscellaneous Projects < \$1 million	1,317
Total	\$ 242,900

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Major projects completed and the amounts transferred to fixed assets during fiscal year 2019 are as follows (in thousands):

Capital Projects Completed during Fiscal Year 2019	
Taxiway C West & South Apron Reconstruction	\$ 11,723
Miscellaneous Projects < \$1 million	2,538
Total	\$ 14,261

Note 4 to the financial statements provides additional information about BCAD's capital assets.

Debt Administration

As of September 30, 2019, 2018, and 2017, BCAD had \$2.03 billion, \$2.09 billion and \$1.86 billion, respectively, in outstanding long-term revenue bonds. These bonds are secured by a pledge of and lien on net revenues, as defined in the Bond Resolution.

The following table summarizes the outstanding bonded indebtedness as of September 30, 2019 (in thousands):

Airport System Revenue Bonds	Expected To Be Paid From			Final Maturity *
	Outstanding Principal	PFCs/Grants	Airport Revenues	
Bond Series				
2001 J-2	\$ 41,495	\$ -	\$ 41,495	2021
2009 O	78,330		78,330	2029
2012 P-1	143,440		143,440	2026
2012 P-2	61,210	25,806	35,404	2026
2012 Q-1	460,755	460,755		2042
2012 Q-2	96,340		96,340	2042
2013 A	151,720		151,720	2043
2013 B	50,645		50,645	2043
2013 C	193,735	193,735		2043
2015 A	417,895		417,895	2045
2015 B	9,575		9,575	2045
2015 C	34,050	34,050		2025
2017	287,905		287,905	2047
Total Bond Indebtedness	\$ 2,027,095	\$ 714,346	\$ 1,312,749	

* Calendar year

Additional information about BCAD's long-term debt can be found in Note 7 to the financial statements.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS

BCAD’s Bond Resolution enables it to adopt a resolution irrevocably designating certain revenues as “available” revenues (which may include, without limitation, PFC revenues, state and federal grants, or other identified revenues) to be used to pay debt service on Airport System Revenue Bonds. In addition to airport net revenues, \$58.0 million of PFC and grant revenues, available from the subsequent reimbursement of capital outlays, were used to pay principal and interest due for fiscal year 2019.

In accordance with the Bond Resolution, BCAD is required to set its rates and charges to provide sufficient net revenues that, together with transfers (which include excess airline fees and charges from the prior year), are at least equal to 1.25 times the debt service on all outstanding bonds. Historically, BCAD has maintained a debt service coverage ratio higher than its requirement:

Debt Service Coverage	Fiscal Years Ended September 30		
	2019	2018	2017
Airport System Revenue Bonds	1.99	1.86	1.68

BCAD’s Airport System Revenue Bonds are rated A+ (with stable outlook) by Standard and Poor’s Ratings Services, A1 (with stable outlook) by Moody’s Investors Service and A+ (with stable outlook) by Fitch Ratings.

Economic Factors and Outlook

FLL is located in Broward County, which, together with neighboring Miami-Dade and Palm Beach counties, comprises the Miami-Fort Lauderdale-Pompano Beach Metropolitan Statistical Area (MSA) according to the U.S. Census Bureau. The MSA is the nation’s seventh largest with a population of approximately 6.20 million residents in 2018.

Population growth rates over the last couple of decades have exceeded growth rates for the United States as a whole. Furthermore, the local economy continues to be strong with an unemployment rate in Broward County of 3.4% in September 2019, compared to 2.8% for the same period in September 2018 and the national rate of 3.7%. However, as South Florida is a major tourist destination, the majority of FLL passengers are visitors to Broward County and South Florida. BCAD partners with the Convention and Visitors Bureau (CVB), Office of Economic Development (OED) and Port Everglades on marketing and promotional activities.

Over the last few years, FLL has been one of the fastest growing large hub airports in the US and ranked 1st in growth for both calendar years CY 2017 and CY 2018. During the 5 year period from 2013 to 2018, FLL’s total passenger traffic increased by 13 million passengers, an increase of 57%. The last couple of years have seen an increase in international travel as international enplaned passengers grew by 5.7% and 21.0% in fiscal year 2019 and 2018, respectively.

In FY 2019, FLL ranked 18th in total passenger traffic and 10th in total international traffic. During the same period, FLL ranked 14th in domestic ‘origin and destination’ passengers and had one of the lowest domestic fares among large hub airports. Also in FY 2019, FLL had an average of 380 daily departures to 85 cities in the US and 66 international destinations in 34 countries.

This phenomenal growth comes at a cost. Passenger traffic has begun to level off due to the lack of available facilities to allow for continued growth. Near and long term plans for the airport include a much needed increase in passenger processing facilities and airport infrastructure.

BROWARD COUNTY AVIATION DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

In order to accommodate current and future anticipated growth, BCAD's approximately \$3.2 billion ten-year capital improvement program is underway. The extended South Runway was opened in September 2014, the west portion of Concourse G in Terminal Four, with five new gates, opened in December 2016 and a new Concourse A in Terminal One, with five additional gates and international arrivals facilities, opened in July 2017. The majority of the east portion of Concourse G, six additional gates, opened in December 2017. Terminal One was renovated in 2018 and the rehabilitation of the North Runway was completed in 2019. The other three terminals inclusive of the international arrivals facility in Terminal Four are currently being renovated.

The terminal renovations will include additional space, new interior finishes, a new concessions program, and improvements to the ticketing lobbies, passenger security checkpoints, restrooms, passenger hold rooms, and baggage claim areas.

The capital improvement program is funded through federal and state grants, PFCs, and bond issues. Part of the debt will be funded through airline rates and charges, which will increase the overall CPE in future years, although passenger growth and planned improvements in non-airline revenues are anticipated to mitigate the impact.

Request for Information

This financial report is designed to provide a general overview of BCAD's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Broward County Aviation Department, 2200 S.W. 45th Street, Suite 101, Dania Beach, FL 33312.

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019 AND 2018
(in thousands)

ASSETS	<u>2019</u>	<u>2018</u>
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	\$ 33,128	\$ 42,368
Investments	183,692	157,275
Receivables		
Accounts receivable, net of allowance of \$1,232 and \$718, respectively	14,194	19,195
Interest receivable	939	592
Due from other governments	19,243	5,598
Inventories	452	481
Prepaid items	8,175	5,899
Total current unrestricted assets	<u>259,823</u>	<u>231,408</u>
Restricted Assets		
Cash and cash equivalents	240,890	187,683
Interest receivable	1,983	1,351
Total current restricted assets	<u>242,873</u>	<u>189,034</u>
Total current assets	<u>502,696</u>	<u>420,442</u>
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents	67,534	102,054
Investments	377,306	540,381
Passenger facility charges receivable	8,497	6,955
Due from other governments	34,976	25,113
Capital assets		
Non-depreciable	775,081	556,854
Depreciable, net of accumulated depreciation of \$1,100,423 and \$974,457 respectively	2,303,616	2,370,807
Total capital assets, net	<u>3,078,697</u>	<u>2,927,661</u>
Total noncurrent assets	<u>3,567,010</u>	<u>3,602,164</u>
TOTAL ASSETS	<u>\$ 4,069,706</u>	<u>\$ 4,022,606</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 983	\$ 1,089
Deferred outflows on other post employment benefits	174	54
Deferred outflows on pensions	11,518	11,370
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,675</u>	<u>\$ 12,513</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF NET POSITION (Continued)
SEPTEMBER 30, 2019 AND 2018
(in thousands)

LIABILITIES	2019	2018
Current Liabilities		
Payable from Unrestricted Assets		
Accounts payable	\$ 18,910	\$ 15,790
Accrued liabilities	3,291	3,089
Due to other County funds	12,138	5,459
Due to other governments	1,320	1,252
Deposits	6,212	5,304
Unearned revenue	62,646	54,802
Compensated absences	2,689	2,421
Total current liabilities payable from unrestricted assets	<u>107,206</u>	<u>88,117</u>
Payable from Restricted Assets		
Accounts payable	\$ 125,063	\$ 71,843
Accrued interest payable	50,571	52,261
Due to other County Funds	229	-
Revenue bonds payable	67,010	63,620
Deposits	-	1,310
Total current liabilities payable from restricted assets	<u>242,873</u>	<u>189,034</u>
Total current liabilities	<u>350,079</u>	<u>277,151</u>
Noncurrent Liabilities		
Revenue bonds payable, including discounts and premiums	2,133,138	2,209,405
Compensated absences	3,099	2,985
Total other post employment benefits liability	1,922	1,733
Net pension liability	29,215	24,904
Total noncurrent liabilities	<u>2,167,374</u>	<u>2,239,027</u>
TOTAL LIABILITIES	<u>\$ 2,517,453</u>	<u>\$ 2,516,178</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on other post employment benefits	\$ 66	23
Deferred inflows on pensions	2,531	2,918
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,597</u>	<u>\$ 2,941</u>
NET POSITION		
Net investment in capital assets	979,509	962,858
Restricted for		
Debt service	261,005	249,074
Capital projects	190,343	184,746
Unrestricted	131,474	119,322
TOTAL NET POSITION	<u>\$ 1,562,331</u>	<u>\$ 1,516,000</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEPTEMBER 30, 2019 AND 2018
(in thousands)

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Airline revenues	\$ 121,053	\$ 104,874
Rental cars	65,645	65,649
Parking	53,228	52,409
Concessions	44,797	40,583
General aviation and fixed based operators	7,575	7,451
Non-airline terminal rent and other rents	6,222	6,926
North Perry Airport	1,561	1,476
Cargo	2,066	2,037
Miscellaneous	3,994	3,273
Total operating revenues	<u>306,141</u>	<u>284,678</u>
Operating Expenses		
Salaries, wages and benefits	52,380	44,366
Contractual services	66,295	62,339
Law enforcement and fire rescue	34,125	31,625
Utilities	10,901	10,898
Insurance	7,355	5,115
Services provided by other County departments	5,649	5,194
Maintenance, equipment and supplies	14,050	11,012
General and administrative	5,937	5,292
Total operating expenses before depreciation	<u>196,692</u>	<u>175,841</u>
Operating Income before Depreciation	109,449	108,837
Depreciation	<u>126,073</u>	<u>114,318</u>
Operating Income (Loss)	<u>(16,624)</u>	<u>(5,481)</u>
Nonoperating Revenues (Expenses)		
Passenger facility charges	74,868	73,032
Federal grants	22,274	7,756
Interest income	29,584	9,531
Interest expense	(91,991)	(73,978)
Bond issuance costs	-	(2,010)
Noise mitigation costs	(30,906)	(11,057)
Gain on disposal of capital assets	4,984	32
Other	1	1,322
Total nonoperating revenues (expenses)	<u>8,814</u>	<u>4,628</u>
Loss before Capital Contributions	<u>(7,810)</u>	<u>(853)</u>
Capital contributions	<u>54,141</u>	<u>51,979</u>
Change in Net Position	<u>46,331</u>	<u>51,126</u>
Total Net Position - Beginning of Period	1,516,000	1,464,874
Total Net Position - End of Period	<u>\$ 1,562,331</u>	<u>\$ 1,516,000</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(in thousands)

	2019	2018
Cash Flows from Operating Activities		
Cash received from customers	\$ 320,033	\$ 309,365
Cash payments to suppliers for goods and services	(138,143)	(129,152)
Cash payments to employees for services	(47,747)	(42,780)
Other cash received	1	2,607
Other cash paid	(1,310)	(368)
Net cash provided by operating activities	132,834	139,672
Cash Flows from Noncapital Financing Activities		
Payment of noise mitigation costs	(36,352)	(7,563)
Nonoperating grants received	25,607	7,043
Passenger facility charges received	-	1,986
Net cash (used for) provided by noncapital financing activities	(10,745)	1,466
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of bonds	-	337,910
Payment of bond issuance costs	-	(795)
Acquisition and construction of property, plant and equipment	(222,681)	(193,549)
Proceeds from sale of capital assets	10,605	41
Debt principal payment	(63,620)	(53,840)
Interest and fiscal charges	(102,832)	(96,749)
Capital contributions	27,300	66,204
Passenger facility charges received	73,326	69,100
Net cash (used for) provided by capital and related financing activities	(277,902)	128,322
Cash Flows from Investing Activities		
Purchase of investment securities	(1,048,034)	(1,747,988)
Proceeds from sale and maturities of investment securities	1,184,692	1,538,918
Interest and dividends on investments	28,602	8,974
Net cash provided by (used for) investing activities	165,260	(200,096)
Net Change in Cash and Cash Equivalents	9,447	69,364
Cash and Cash Equivalents, Beginning of Period	332,105	262,741
Cash and Cash Equivalents, End of Period	\$ 341,552	\$ 332,105
Cash and Cash Equivalents - Unrestricted Assets	\$ 33,128	\$ 42,368
Cash and Cash Equivalents - Restricted Assets	308,424	289,737
	\$ 341,552	\$ 332,105

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(in thousands)

	2019	2018
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (16,624)	\$ (5,481)
Adjustments to reconcile operating loss to cash flows from operating activities		
Depreciation expense	126,073	114,318
Other nonoperating revenues	(1,309)	2,239
(Increase) Decrease in assets and deferred outflows of resources		
Accounts receivable	5,001	(5,916)
Inventories	29	(27)
Prepaid items	(2,276)	(84)
Deferred outflows on other post employment benefits	(120)	(54)
Deferred outflows on pensions	(148)	(1,747)
Increase (Decrease) in liabilities and deferred inflows of resources		
Accounts payable	1,738	(877)
Accrued liabilities	202	(1,009)
Due to other County funds	6,908	3,327
Due to other governments	70	21
Deposits	908	(138)
Unearned revenues	7,844	31,801
Compensated absences	382	422
Total other post employment benefits liability	189	97
Net pension liability	4,311	1,426
Deferred inflows on other post employment benefits	43	23
Deferred inflows on pensions	(387)	1,331
Net adjustments	149,458	145,153
Net cash provided by operating activities	\$ 132,834	\$ 139,672
 Noncash Investing, Capital and Financing Activities		
Amortization of bond discount and premiums	\$ (9,257)	\$ (8,973)
Amortization of deferred charge on refunding	106	106
Bond issuance costs deducted from bond proceeds	-	(1,215)
Capital contributions	54,219	30,711
Capital assets acquired through current accounts payable	129,061	69,012
Change in fair value of investments	10,263	(5,207)

See notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

Note 1: Summary of Significant Accounting Policies	26
Note 2: Deposits and Investments.....	33
Note 3: Restricted Assets.....	38
Note 4: Capital Assets.....	39
Note 5: Lease and Concession Agreements.....	40
Note 6: Airline-Airport Lease and Use Agreement	41
Note 7: Long-Term Obligations.....	41
Note 8: Capital Contributions	43
Note 9: Risk Management	44
Note 10: Other Post-Employment Benefits (OPEB)	45
Note 11: Retirement Plans.....	49
Note 12: Transactions with Other County Departments	60
Note 13: Commitments and Contingent Liabilities	61
Note 14: Major Customers.....	62
Note 15: Subsequent Events.....	62

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These financial statements present the financial position, changes in net position and cash flows of the Broward County Aviation Department (BCAD), a major enterprise fund of Broward County (the County), and not the County as a whole.

The Board of County Commissioners (the Board) is responsible for legislative and fiscal control of the County. A County Administrator is appointed by the Board and is responsible for administrative and fiscal control of all County departments through the administration of directives and policies established by the Board.

Pursuant to the general laws of Florida, the County owns Fort Lauderdale-Hollywood International Airport (FLL), a major air carrier airport, and the North Perry Airport (HWO), a general aviation airport, both of which are operated by BCAD. All accounts of FLL and HWO are included in BCAD's reporting entity; there are no other financial activities or funds considered for inclusion.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

BCAD operates as a major enterprise fund of the County and uses the enterprise fund type to account for all of its operations. The financial statements are presented using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place.

The financial statements distinguish operating revenues and operating expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with BCAD's principal ongoing operations. BCAD's principal operating revenues are from airlines, rental cars, parking, and concessions. Operating expenses include employee wages and benefits, purchases of services and other expenses related to operating the airport, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Implementation of Governmental Accounting Standards Board Statements

BCAD adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2019:

I. GASB Statement No. 83 "Certain Asset Retirement Obligations"

GASB Statement No. 83, establishes guidance for governments to recognize and measure legally enforceable liabilities associated with the retirement of certain tangible capital assets and determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. BCAD adopted this statement for fiscal year 2019. The adoption of Statement No. 83 did not impact BCAD's financial position or results in operations.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GASB Statement No. 88 "Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements"

Statement No. 88 establishes improved information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The County implemented this Statement for fiscal year 2019. The adoption of Statement No. 88 required BCAD to disclose in Note 7 its assets pledged as collateral for debt, and disclose significant finance related consequences relating to events of default.

3. GASB Statement No. 89 "Accounting for Interest Cost Incurred Before the End of a Construction Period"

Statement No. 89 is effective beginning with its year ending September 30, 2021, but BCAD adopted it in 2019. The primary objective of this Statement is to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred before the end of a construction period. The effect of adoption of Statement No. 89 during fiscal year 2019 was to expense interest cost incurred on funds used to finance construction before the end of a construction period where previously it was capitalized and included in the cost of capital assets. Statement No. 89 was applied prospectively and had no impact on previously reported financial position or results of operations. The impact for FY19 was \$14.4 million.

4. GASB Statement No. 91 "Conduit Debt Obligations"

Statement No. 91 is effective beginning with its year ending September 30, 2022, but BCAD adopted it in 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. The adoption of Statement No. 91 did not impact the BCAD's financial position or results of operations.

BCAD evaluated the following issued but unadopted Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2019:

5. GASB Statement No. 84 "Fiduciary Activities"

Statement No. 84 will be effective for BCAD beginning with its year ending September 30, 2020. This Statement establishes improved guidance regarding the identification of fiduciary activities for accounting and financial reporting and establishes criteria for identifying fiduciary activities of all state and local governments. Management is currently evaluating the impact of the adoption of this statement on the BCAD's financial statements.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. GASB Statement No. 87 "Leases"

Statement No. 87 will be effective for BCAD beginning with its year ending September 30, 2021. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and will instead be recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 87 requires note disclosure only for certain leases subject to regulation and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under Statement No. 87, BCAD, as a lessee, is required to recognize a lease liability and an intangible right-to-use lease asset, and, as a lessor, is required to recognize a lease receivable and a deferred inflow of resources. Management is currently evaluating the impact of the adoption of this statement on BCAD's financial statements and does expect it to have a significant effect.

7. GASB Statement No. 90 "Accounting equity interest – An amendment of GASB Statements No. 14 and No. 61"

Statement No. 90 will be effective for BCAD beginning with its year ending September 30, 2021. The primary object of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Management is currently evaluating the impact of the adoption of this statement on BCAD's financial statements.

8. GASB Statement No. 92 "Omnibus 2020"

Statement No. 92 addresses various accounting issues including: the modification of the effective date of Statement No. 87; reporting of intra-entity transfers of assets between a primary government and a component unit defined benefit pension plan or defined benefit OPEB plan; the applicability of certain GASB statement to reporting assets accumulated for pension and OPEB; the applicability of certain requirements of Statements No. 84; and measurements of liabilities and assets, if any, related to asset retirement obligations in a government acquisition. The change in the effective date for GASB 87 was immediate and the other provisions are effective for BCAD beginning with its fiscal year ending September 30, 2022. Management is currently evaluating the impact of the adoption of this statement on BCAD's financial statements.

D. Deposits and Investments

Cash and cash equivalents consist of cash on hand, demand deposits, as well as investments with original maturities at time of purchase of three months or less.

BCAD participates in the cash and investment pool maintained by the County. BCAD's portion of the pool is presented as "cash and cash equivalents," "investments," or "restricted assets," as appropriate. Earnings are allocated to BCAD based on the average daily cash and investment balances. BCAD also maintains cash and investments outside of the County pool relating to bond proceeds for the purpose of funding debt service payments and bond reserve requirements, as well as for investment purposes. All investments are carried at fair value.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Accounts Receivable

Accounts receivable are composed primarily of monthly billings to airlines and concessionaires operating at BCAD for various rentals and other fees. An allowance for doubtful accounts is provided for receivables where there is uncertainty as to ultimate collectability based on current economic conditions and consideration of the customer's ability to pay. Receivables for BCAD are presented in the accompanying financial statements, net of an allowance for uncollectible accounts.

G. Due from Other Governments

The amounts due from other governments represent grants receivable from Federal and State governments for their share of amounts expended on various capital and related projects.

H. Inventories and Prepaid Items

Inventories consist of maintenance materials and supplies for consumption and are recorded at the lower of cost or market value, using the first-in, first-out method.

Prepaid items consist primarily of insurance costs that will benefit future accounting periods.

I. Capital Assets

Capital assets, which include property, plant and equipment, are recorded at cost or, if donated, at acquisition value at the date of donation. The capitalization levels are \$1,000 for equipment and \$5,000 for land and improvements and buildings and facilities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated on the straight-line basis over the following estimated useful lives:

Buildings and Facilities (including property held for leasing)	3-40 years
Equipment	3-15 years

J. Capitalized Interest

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by BCAD during the fiscal year ended September 30, 2019 and 2018, was \$91,991,000 and \$93,656,000, respectively. BCAD adopted GASB 89 in fiscal year ended September 30, 2019, and therefore did not capitalize interest for the year ended and \$19,678,000 was included as part of the cost of construction-in-progress (CIP) for 2018.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The category of deferred outflows of resources reported in BCAD's Statement of Net Position relates to debt refunding, other post-employment benefits, and pensions.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Deferred outflows on other post-employment benefits are more fully disclosed in Note 1, Section P and Note 10 while pension activities are more fully disclosed in Note 1, Section Q and Note 11. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by BCAD related to other post-employment benefits are more fully disclosed in Note 1, Section P, and Note 10 while those related to pension activities and are more fully disclosed in Note 1, Section Q and Note 11.

L. Due to or from Other County Funds

During the course of operations, BCAD has activity with other County funds for various purposes. Any residual balances outstanding at year end are reported as due to or from other County funds.

M. Unearned Revenue - Airline Fees and Charges

Unearned revenue represents revenues collected in excess of the airline net revenue requirement in accordance with the Airline-Airport Lease and Use Agreement.

N. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method. Bonds payable as reported include unamortized amounts of bond premiums or discounts.

O. Compensated Absences

BCAD's policy is to permit employees to accumulate earned but unused vacation and sick leave. The cost of earned but unused vacation is accrued as a liability in the period in which the leave is earned. A liability for earned but unused sick leave is accrued only to the extent that the leave will result in cash payments at termination.

P. Total OPEB Liability

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The total OPEB liability is reported in the statement of net position.

Q. Pensions

In the Statement of Net Position, pension liabilities are recognized for BCAD's proportionate share of the County's share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (Pension Plan) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan, and additions to and deductions from the Pension Plan's and the HIS's fiduciary net position, have been determined on the same basis as they are reported by the Pension Plan and HIS plans.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the net pension liability during the period are recorded as pension expense, deferred outflows of resources, or deferred inflows of resources depending on the nature of the change. Those changes in the net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources that arise from changes in actuarial assumptions or other inputs, changes in the proportionate share of the net pension liability, and differences between expected or actual experience, are amortized over the average expected remaining service lives of all employees that are provided with pensions through the pension plans, and recorded as a component of pension expense beginning with the period in which they arose. Differences between projected and actual investment earnings are reported as deferred outflows of resources or deferred inflows of resources, and amortized as a component of pension expense using a systematic and rational method over a five year period beginning with the period in which a difference arose.

R. Net Position and Net Position Flow Assumption

Net position represents the residual interest in BCAD's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt incurred to acquire, construct, or improve those assets, excluding unexpended proceeds. The restricted category represents the balance of assets restricted by external parties (creditors, grantors, contributors, or laws or regulations of other governments), or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Sometimes BCAD will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is BCAD's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

S. Capital Contributions

Capital contributions consist mainly of grants from Federal and State governments. These capital contributions are recognized as earned when all eligibility requirements have been met.

T. Noise Mitigation Costs

Funds expended for Residential Sound Insulation relating to the Noise Mitigation Program are recorded as non-operating expenses in the period they are incurred. Funds expended for Avigation Easements relating to the Noise Mitigation Program are included in land and land improvements and are not depreciated.

U. Passenger Facility Charges

In 1990, Congress authorized domestic airports to impose a passenger facility charge (PFC) on each departing passenger. Subsequently, the Federal Aviation Administration (FAA) issued regulations for the use and reporting of PFCs. Airports are authorized to use PFCs for projects that must meet at least one of the following eligibility requirements: (1) preserve or enhance safety, security, or capacity of the national transportation system; (2) reduce noise or reduce noise impacts resulting from an airport; or (3) furnish opportunities for enhance competition between or among carriers.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effective January 1, 1995, the FAA authorized BCAD to impose and use collected PFCs of \$3.00 per departing passenger at FLL. In July 2005, FLL received approval from the FAA to implement a \$4.50 PFC effective October 1, 2005. The ticketing airline includes the departing PFC in the price of each ticket when it is sold to the traveler. The \$4.50 PFC collected by the airlines is remitted monthly to FLL, less a \$0.11 per passenger administrative fee retained by the airlines.

Through initial and subsequent FAA approvals, BCAD is currently authorized to collect PFCs up to \$1,901,125,000, of which \$1,008,588,000 and \$932,098,000 has been collected as of September 30, 2019 and 2018 respectively. The net receipts from PFCs are nonrefundable and restricted for use on FAA-approved capital projects and debt service on revenue bonds that fund approved PFC-eligible projects. As of September 30, 2019, \$832,760,000 of the collected PFCs had been spent on approved projects or debt service, and the remaining \$175,828,000, along with a PFC receivable of \$8,497,000 and interest receivable of \$468,000, is reflected in the net position restricted for capital projects. As of September 30, 2018, \$765,959,000 of the collected PFCs had been spent on approved projects or debt service, and the remaining \$166,139,000, along with a PFC receivable of \$6,955,000 and interest receivable of \$380,000, is reflected in the net position restricted for capital projects.

V. Reclassifications

Certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

W. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2019 and 2018, BCAD's deposits and investments consisted of the following (in thousands):

	September 30,	
	2019	2018
Cash Deposits	\$ 106,496	\$ 53,987
Investments:		
U.S. Treasuries	109,253	106,110
U.S. Agencies	429,627	445,160
Commercial Paper	4,469	220,798
World Bank	26,741	54,965
Money Market Mutual Funds	225,065	147,781
Sovereign Bond	898	960
Total Investments	<u>796,053</u>	<u>975,774</u>
Total Deposits, and Investments	<u>\$ 902,550</u>	<u>\$ 1,029,761</u>

Cash and cash equivalents and investments are classified in the Statements of Net Position as follows (in thousands):

	September 30,	
	2019	2018
Current Assets		
Cash and cash equivalents, unrestricted	\$ 33,128	\$ 42,368
Cash and cash equivalents, restricted	240,890	187,683
Investments, unrestricted	183,692	157,275
Noncurrent Assets		
Cash and cash equivalents, restricted	67,534	102,054
Investments, restricted	<u>377,306</u>	<u>540,381</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 902,550</u>	<u>\$ 1,029,761</u>

A. Deposits

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County mitigates custodial credit risk by generally requiring public funds to be deposited in a qualified public depository pursuant to State Statutes. Under the State Statutes, 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 depositories' collateral pledging level. The

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

pledging level may range from 25% to 150% depending upon the depositories' financial condition ranking from two nationally recognized financial rating services, as well as consideration of financial ratios, trends and other pertinent information. All collateral must be deposited with an approved financial institution. Any potential 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.

B. Investments

BCAD follows the County's investment practices, which are governed by 218.415 of the Florida Statutes, County Code of Ordinances, Chapter 1, Article 1, Section 1-10, and the requirements of outstanding bond covenants. The County has a formal investment policy that, in the opinion of management, is designed to ensure conformity with State Statutes and seeks to limit exposure to investment risks. The investment policy specifies the types, issuer, maturity, and performance measurement of investment securities that are permissible. Securities are held to maturity with limited exceptions outlined in the investment policy. Qualified institutions utilized for investment transactions are also addressed within the policy, as well as diversification requirements for the investment portfolio.

Under State Statutes and County Ordinances, the County is authorized to invest in obligations of the U.S. Government, its agencies and instrumentalities, the Florida Local Government Surplus Trust Fund or any intergovernmental investment pool, authorized pursuant to the Florida Interlocal Cooperation Act, repurchase agreements with primary dealers, commercial paper, bonds, notes or obligations of the State of Florida or any municipality, political subdivision or agency or authority of the State, certificates of deposit, securities in certain open-end or closed-end investment companies or trusts, World Bank notes, bonds and discount notes, obligations of the Tennessee Valley Authority, certain money market funds and rated or unrated bonds, notes or instruments backed by the full faith of the government of Israel. The County may also invest in collateralized mortgage obligations, reverse repurchase agreements and asset-backed commercial paper with the approval of the County's Chief Financial Officer. County policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreements.

Interest Rate Risk - In accordance with its investment policy, the County manages its exposure to interest rate volatility by limiting the weighted average maturity of its investment portfolio within the following maturity categories: overnight 35%; 1-30 days 80%; 31-90 days 80%; 91 days to 1 year 70%; 1-2 years 40%; 2-3 years 25%; 3-4 years 20%; 4-5 years 15%; and 5-7 years 10%. Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2019 and 2018, the portfolio weighted average maturity was 566 days and 509 days respectively, and was in accordance with the County's investment policy.

Credit Risk -The County's investment policy contains specific rating criteria for certain investments. The policy states that commercial paper and asset-backed commercial paper, as well as bonds, notes, or obligations of the State of Florida, any municipality or political subdivision, or any agency or authority of the State, must be rated in one of the two highest rating categories by at least two nationally recognized rating agencies. Commercial paper not rated must be backed by a letter of credit or line of credit rated in one of the two highest rating categories. Any investments in World Bank notes, bonds, and discount notes must be rated AAA or equivalent by Moody's Investors Service and/or Standard & Poor's Ratings Services. Investments in Securities and Exchange Commission registered money market funds must have the highest credit quality rating from a nationally recognized rating agency.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments in Sovereign Bonds are allowable by the Broward County Investment Policy whether the bonds are rated or unrated.

BCAD's investments of \$25.9 million in the Federal Agricultural Mortgage Corporation which are not rated. As at September 30, 2019, the County's investments were held in the County's name. The County's investments are rated as follows:

Rating Service	Investment Type	Rating	
		2019	2018
Standard & Poor's Rating Services	U.S. Treasuries	AA+	AA+
	U.S. Agencies	AA+	AA+
	Commercial Paper	A-1 and A-1+	A-1 and A-1+
	World Bank	AAA	AAA
	Money Market Mutual Funds	AAAm	AAAm
	Sovereign Bonds	AA-	AA-
Moody's Investors Services	U.S. Treasuries	Aaa	Aaa
	U.S. Agencies	Aaa	Aaa
	Commercial Paper	P-1	P-1
	World Bank	Aaa	Aaa
	Money Market Mutual Funds	Aaa-mf	Aaa-mf
	Sovereign Bonds	A1	A1
Fitch	Commercial Paper	F1 and F1+	F1
	Sovereign Bonds	A+	

Concentration of Credit Risk - The County requires that all investments be diversified with no more than 5 percent of the value of the portfolio invested in the securities of any single issuer at the time of purchase. The County's investment policy also limits investments in any one money market or mutual fund to no more than 10 percent of the total investment portfolio, whereas, the County places no limit on the amount that may be invested in securities of the US Government and U.S. Agencies thereof, or government-sponsored corporation securities. The County purchased shares of Goldman Sachs Financial Square Government Fund on September 26, 2019, which represented 12.24% of the County's investment portfolio. The County cured the over-allocation within five business days of discovery. GASB Statement No. 40, "Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3" requires disclosure when 5 percent or more is invested in any one issuer.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

In addition to the investment in Goldman Sachs Financial Square Governmental Fund as described above, other investments under this disclosure are detailed below:

Portfolio	September 30	
	2019	2018
Federal Home Loan Bank	20.39%	17.75%
Federal Home Loan Mortgage Corporation	14.97%	16.90%
Federal National Mortgage Association	16.16%	18.21%
Federal Farm Credit Bank	11.93%	8.55%

Fair Value Measurement - BCAD categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset and liability. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. BCAD does not have any investments that are categorized as Level 3.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

BCAD has the following recurring fair value measurements (in thousands):

As of September 2019	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
Debt Securities:			
U.S. Treasuries	\$ 109,253	\$ -	\$ 109,253
U.S. Agencies	429,627		429,627
Commercial Paper	4,469		4,469
World Bank	26,741		26,741
Sovereign Bonds	898		898
Total Debt Securities	<u>\$ 570,988</u>	<u>\$ -</u>	<u>\$ 570,988</u>
Money Market Mutual Funds	\$ 225,065	\$ 225,065	\$ -
Total Investments at Fair Value	<u>\$ 796,053</u>	<u>\$ 225,065</u>	<u>\$ 570,988</u>

As of September 2018	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
Debt Securities:			
U.S. Treasuries	\$ 106,110	\$ -	\$ 106,110
U.S. Agencies	445,160		445,160
Commercial Paper	220,798		220,798
World Bank	54,965		54,965
Sovereign Bonds	960		960
Total Debt Securities	<u>\$ 827,993</u>	<u>\$ -</u>	<u>\$ 827,993</u>
Money Market Mutual Funds	\$ 147,781	\$ 147,781	\$ -
Total Investments at Fair Value	<u>\$ 975,774</u>	<u>\$ 147,781</u>	<u>\$ 827,993</u>

U.S. Treasuries, U.S. Agencies, Commercial Paper and World Bank debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices (Level 2 inputs).

Money market mutual funds are valued using the quoted market prices (Level 1 inputs).

The investment balances categorized by fair value above include BCAD's investment in the County "pool" and the input levels presented are based on the actual allocation of the underlying investments held directly by the County.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 3 - RESTRICTED ASSETS

Restricted assets of BCAD at September 30, 2019 and 2018, represent amounts restricted for debt service and for construction and improvements of the FLL and HWO airport and aviation facilities under the terms of outstanding bond agreements. The bond reserve accounts represents 125% of the average annual principal and interest requirements for all series of bonds secured by the reserve account. The debt service accounts contain the principal and interest amounts required for payment due on October 1 in addition to funds restricted for future debt service payments. The PFC account contains amounts collected and receivables, but unspent. The bond construction accounts include bond proceeds available for the design and construction of major capital projects.

The composition of restricted accounts is as follows (in thousands):

	September 30,	
	2019	2018
Bond reserve accounts	\$ 149,745	\$ 144,449
Debt service accounts	311,577	301,335
Passenger facility charges account	184,793	173,474
Bond construction accounts	79,522	231,697
Grant proceeds	5,549	12,582
	<u>\$ 731,186</u>	<u>\$ 863,537</u>

Restricted assets are classified in the Statements of Net Position as follows (in thousands):

	September 30,	
	2019	2018
Current Restricted Assets		
Cash and cash equivalents	\$ 240,890	\$ 187,683
Other accounts receivable	1,983	1,351
Noncurrent Restricted Assets		
Cash and cash equivalents	67,534	102,054
Investments	377,306	540,381
Passenger facility charges receivable	8,497	6,955
Due from other governments	34,976	25,113
	<u>\$ 731,186</u>	<u>\$ 863,537</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2019 and 2018, are as follows (in thousands):

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
Capital assets not being depreciated:				
Construction in progress	\$ 170,465	\$ 222,897	\$ 14,261	\$ 379,101
Land and land improvements	385,691	15,212	5,621	395,282
Property held for leasing - land and land improvements	698			698
Total capital assets not being depreciated	<u>556,854</u>	<u>238,109</u>	<u>19,882</u>	<u>775,081</u>
Capital assets being depreciated:				
Buildings, facilities and other improvements	2,571,605	42,714		2,614,319
Property held for leasing - buildings, facilities and other improvements	703,020	10,463		713,483
Equipment	70,639	5,705	107	76,237
Total capital assets being depreciated	<u>3,345,264</u>	<u>58,882</u>	<u>107</u>	<u>3,404,039</u>
Less accumulated depreciation:				
Buildings, facilities and other improvements	719,720	97,063		816,783
Property held for leasing - buildings, facilities and other improvements	215,592	23,729		239,321
Equipment	39,145	5,281	107	44,319
Total accumulated depreciation	<u>974,457</u>	<u>126,073</u>	<u>107</u>	<u>1,100,423</u>
Total capital assets being depreciated, net	<u>2,370,807</u>	<u>(67,191)</u>	<u>-</u>	<u>2,303,616</u>
Total capital assets, net	<u>\$ 2,927,661</u>	<u>\$ 170,918</u>	<u>\$ 19,882</u>	<u>\$ 3,078,697</u>
	October 1, 2017	Increases/ Transfers (1)	Decreases/ Transfers (1)	September 30, 2018
Capital assets not being depreciated:				
Construction in progress	\$ 393,538	\$ 127,586	\$ 350,659	\$ 170,465
Land and land improvements	366,629	19,062		385,691
Property held for leasing - land and land improvements	698			698
Total capital assets not being depreciated	<u>760,865</u>	<u>146,648</u>	<u>350,659</u>	<u>556,854</u>
Capital assets being depreciated:				
Buildings, facilities and other improvements	2,377,930	268,489	74,814	2,571,605
Property held for leasing - buildings, facilities and other improvements	501,271	202,015	266	703,020
Equipment	59,849	12,578	1,788	70,639
Total capital assets being depreciated	<u>2,939,050</u>	<u>483,082</u>	<u>76,868</u>	<u>3,345,264</u>
Less accumulated depreciation:				
Buildings, facilities and other improvements	632,620	87,960	860	719,720
Property held for leasing - buildings, facilities and other improvements	193,125	22,467		215,592
Equipment	36,168	4,751	1,774	39,145
Total accumulated depreciation	<u>861,913</u>	<u>115,178</u>	<u>2,634</u>	<u>974,457</u>
Total capital assets being depreciated, net	<u>2,077,137</u>	<u>367,904</u>	<u>74,234</u>	<u>2,370,807</u>
Total capital assets, net	<u>\$ 2,838,002</u>	<u>\$ 514,552</u>	<u>\$ 424,893</u>	<u>\$ 2,927,661</u>

(1) The buildings, facilities and other improvements totaling \$74,814,000, less accumulated depreciation of \$860,000 for a net book value of \$73,954,000 was reclassified to property held for leasing, and property held for leasing totaling \$266,000 is reclassified to buildings, facilities and other improvements during the fiscal year 2018.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 4 - CAPITAL ASSETS (Continued)

As of September 30, 2019, property held for leasing included both non-depreciable capital assets (land and land improvements) of \$698,000 and depreciable capital assets (buildings, facilities and other improvements) of \$713,483,000, totaling \$714,181,000, less accumulated depreciation of \$239,321,000 for a net book value of \$474,860,000.

As of September 30, 2018, property held for leasing included both non-depreciable capital assets (land and land improvements) of \$698,000 and depreciable capital assets (buildings, facilities and other improvements) of \$703,020,000, totaling \$703,718,000, less accumulated depreciation of \$215,592,000 for a net book value of \$488,126,000.

NOTE 5 - LEASE AND CONCESSION AGREEMENTS

Property held for leasing consists of property leased under operating leases to commercial enterprises including signatory airlines through current agreement expiring in 2026. Lease terms vary from one to fifty years and require, in some cases, the construction of leasehold improvements that will be contributed to the County at lease termination.

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30, 2019 (in thousands):

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 128,618
2021	128,680
2022	130,115
2023	128,909
2024	127,506
2025-2029	457,230
2030-2034	89,165
2035-2039	28,400
2040-2044	10,101
2045-2049	7,492
2050-5054	793
Total minimum future revenues	<u>\$ 1,237,009</u>

Minimum future revenues for fiscal years 2020 onwards are based on fiscal year 2020 established rates. Rates are subject to change on an annual basis effective October 1. Total minimum future revenues does not include revenues that may be received under certain concession leases on the basis of a percentage of the tenant's gross revenue in excess of stipulated minimum annual guarantees (MAGs). MAGs amounted to approximately \$43,739,000 and \$44,411,000 for the years ended September 30, 2019 and 2018, respectively.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 6 - AIRLINE-AIRPORT LEASE AND USE AGREEMENT

BCAD has entered into lease and use agreements with its major airline tenants (Signatory Airlines). The airline agreements, which are based on a residual rate-setting methodology for the terminal complex and the airfield, will terminate on September 30, 2026.

The agreements require that landing fees and terminal rentals be reviewed annually and adjusted, as necessary, so that the total revenue is sufficient to meet BCAD's requirements, as determined by the signatory airline agreements. At the end of the fiscal year, after all required deposits have been made, any remaining excess funds are used to meet the requirements in the following fiscal year. These excess funds have been recorded as unearned revenue by BCAD and have been included in current liabilities payable from unrestricted assets. For the years ended September 30, 2019 and 2018, these funds amounted to \$57,822,000 and \$53,786,000, respectively.

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended September 30, 2019 and 2018, are as follows (in thousands):

	Balance October 1, 2018	Additions	Deductions	Balance September 30, 2019	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds payable	\$ 2,090,715	\$ -	\$ 63,620	\$ 2,027,095	\$ 67,010	\$ 1,960,085
Unamortized bond premiums and discount	182,310	-	9,257	173,053	-	173,053
Compensated absences	5,406	3,707	3,325	5,788	2,689	3,099
Total other post employment benefits liability	1,733	189	-	1,922	-	1,922
Net pension liability	24,904	4,311	-	29,215	-	29,215
Total	\$ 2,305,068	\$ 8,207	\$ 76,202	\$ 2,237,073	\$ 69,699	\$ 2,167,374
	Balance October 1, 2017 (1)	Additions	Deductions	Balance September 30, 2018	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds payable	\$ 1,856,650	\$ 287,905	\$ 53,840	\$ 2,090,715	\$ 63,620	\$ 2,027,095
Unamortized bond premiums and discount	140,063	51,220	8,973	\$ 182,310	-	182,310
Compensated absences	4,984	3,511	3,089	5,406	2,421	2,985
Other post employment benefits	1,636	97	-	1,733	-	1,733
Net pension liability	23,478	1,426	-	24,904	-	24,904
Total	\$ 2,026,811	\$ 344,159	\$ 65,902	\$ 2,305,068	\$ 66,041	\$ 2,239,027

(1) The beginning balance of October 1, 2017 is restated due to the implementation of GASB Statement No. 75.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2019 (in thousands)*:

Airport System Revenue Bonds	Primary Purpose	Type	Interest Payment		Optional (O) or Mandatory (M) Redemption *	Year	Final Maturity Date	Original Amount Issued	Retired/Refunded	Outstanding September 30
			Rate %	Date						
2001J-2	Improvements	Term	6.9	4-1 & 10-1	M	2016	10/1/2021	\$ 75,460	\$ (33,965)	\$ 41,495
2009O	Refunding	Serial	2.0-5.0	4-1 & 10-1	O	2019	10/1/2020	29,395	(22,810)	6,585
2009O	Refunding	Term	5.0-5.375	4-1 & 10-1	M	2021	10/1/2029	71,745		71,745
2012P-1	Refunding	Serial	3.0-5.0	4-1 & 10-1	O	2022	10/1/2026	217,080	(73,640)	143,440
2012P-2	Refunding	Serial	3.25-5.0	4-1 & 10-1	O	2022	10/1/2026	92,775	(31,565)	61,210
2012Q-1	Improvements	Serial	3.0-5.0	4-1 & 10-1	O	2022	10/1/2033	283,600	(54,865)	228,735
2012Q-1	Improvements	Term	4.0-5.0	4-1 & 10-1	M	2034	10/1/2042	232,020		232,020
2012Q-2	Improvements	Serial	5.0	4-1 & 10-1	O	2022	10/1/2032	51,800	(9,370)	42,430
2012Q-2	Improvements	Term	5.0	4-1 & 10-1	M	2033	10/1/2042	53,910		53,910
2013A	Improvements	Serial	1.25-5.25	4-1 & 10-1	O	2023	10/1/2033	81,345	(13,585)	67,760
2013A	Improvements	Term	5.125-5.25	4-1 & 10-1	M	2034	10/1/2043	83,960		83,960
2013B	Improvements	Serial	2.00-5.50	4-1 & 10-1	O	2023	10/1/2033	27,395	(4,755)	22,640
2013B	Improvements	Term	5.00-5.25	4-1 & 10-1	M	2034	10/1/2043	28,005		28,005
2013C	Improvements	Serial	1.25-5.50	4-1 & 10-1	O	2023	10/1/2033	103,265	(17,240)	86,025
2013C	Improvements	Term	5.125-5.25	4-1 & 10-1	M	2034	10/1/2043	107,710		107,710
2015A	Improvements	Serial	2.0-5.0	4-1 & 10-1	O	2025	10/1/2037	248,120	(8,420)	239,700
2015A	Improvements	Term	5.0	4-1 & 10-1	M	2038	10/1/2040	61,990		61,990
2015A	Improvements	Term	5.0	4-1 & 10-1	M	2041	10/1/2045	116,205		116,205
2015B	Improvements	Term	5.0	4-1 & 10-1	O	2025	10/1/2045	9,575		9,575
2015C	Refunding	Serial	2.0-5.0	4-1 & 10-1	M	2025	10/1/2025	46,305	(12,255)	34,050
2017	Improvements	Serial	5.0	4-1 & 10-1	O	2027	10/1/2037	138,495		138,495
2017	Improvements	Term	5.0	4-1 & 10-1	M	2038	10/1/2042	65,640		65,640
2017	Improvements	Term	5.0	4-1 & 10-1	M	2043	10/1/2047	83,770		83,770
										\$ 2,027,095

* The optional and mandatory redemptions are at par

A schedule of future debt service is as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2020	\$ 67,010	\$ 99,403	\$ 166,413
2021	75,065	95,671	170,736
2022	78,040	91,598	169,638
2023	82,200	87,485	169,685
2024	86,175	83,299	169,474
2025-2029	369,400	358,020	727,420
2030-2034	318,265	273,326	591,591
2035-2039	381,815	189,538	571,353
2040-2044	446,490	84,328	530,818
2045-2048	122,635	9,805	132,440
	\$ 2,027,095	\$ 1,372,473	\$ 3,399,568

*See Note 15 for information on bond issue in November 2019

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

The various Bond Resolutions applicable to the outstanding Airport System Revenue Bonds generally contain provisions that, upon the occurrence of and continuation of any event that constitutes an “Event of Default” (typically payment or covenant related compliance criteria), the outstanding principle balance, accrued interest, and/or penalties may, at the option of a required percentage of Bondholders, be accelerated and would be due and payable immediately. Revenue bonds are typically backed by a pledge of funds derived from users of the Airport facilities and are not supported by the full faith and credit of the County.

Airport System Revenue Bonds are issued to finance the construction or improvement of the airports’ facilities and are payable solely from and are secured by a pledge of net revenues, as defined in the Bond Resolution.

	<u>2019</u>	<u>2018</u>
Current year revenues pledged	\$ 186,330	\$ 147,022
Current year debt service	\$ 94,087	\$ 77,638
Percentage of debt service to pledged revenues	50.5%	52.8%
Total future revenues pledged*	\$ 3,399,568	\$ 3,566,021
Passenger facility charge, grant and bond proceeds offset	<u>(1,176,062)</u>	<u>(1,233,483)</u>
Net future revenues pledged	<u>\$ 2,223,506</u>	<u>\$ 2,332,538</u>

*Total future pledged revenues are to repay principal and interest on a cash basis through fiscal year 2048.

On November 21, 2017, BCAD issued \$287,905,000 in Airport System Revenue Bonds, Series 2017 (AMT) with a coupon interest rate of 5.00%. The issuance included a premium of \$51,220,000 resulting in a true interest rate of 3.69%. The Series 2017 Bonds were issued to provide funding for terminal renovation and expansion projects and related airport improvement projects, fund the reserve account to satisfy the reserve requirements, and pay the underwriters’ discount and certain other costs of issuance.

NOTE 8 - CAPITAL CONTRIBUTIONS

Grants and other contributions used to acquire or construct capital assets are classified as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position. Capital contributions consist of the following (in thousands):

	<u>2019</u>	<u>2018</u>
Federal Grants	\$ 43,474	\$ 14,159
State of Florida Grants	<u>10,667</u>	<u>37,820</u>
	<u>\$ 54,141</u>	<u>\$ 51,979</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 9 - RISK MANAGEMENT

As a Florida governmental agency, BCAD is afforded protection by sovereign immunity as set forth in FL statute 768.28. The statute sets forth a tort cap of \$200,000 any one person and \$300,000 for all claims arising out of the same incident or occurrence.

BCAD is exposed to various risks and losses related to alleged torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. BCAD purchases its own insurance policies as well as participates in several of the County's programs.

Insurance Policies Exclusive to BCAD:

Property Insurance - BCAD has a property portfolio structure comprising over \$2 billion in insurable values. The property insurance purchased affords \$500,000,000 in coverage per occurrence with a deductible of \$250,000. Losses attributable to named windstorm (hurricane) are subject to a limit of \$125,000,000 per occurrence with a deductible of \$36,900,000. Flood losses are subject to a limit of \$25,000,000 per occurrence with a minimum deductible of \$500,000. In the event a windstorm or flood is declared a disaster, BCAD would be eligible for public assistance under the FEMA disaster program. Coverage for property losses emanating from "Terrorism" are covered up to \$350,000,000 per occurrence, subject to a deductible of \$250,000.

BCAD has a separate property insurance policy, which insures the "**elevated section**" of the new runway with a policy limit of \$234,500,000, with a deductible of \$250,000 per occurrence. This policy excludes losses resulting from named windstorm events.

Airport Owners and Operators General Liability Insurance - Due to the unique nature of the exposures presented by airport operations, BCAD purchases airport owners and operators general liability insurance coverage with an aggregate limit of \$500,000,000 in coverage provided by various insurers.

Environmental Liability Insurance - BCAD carries an environmental liability insurance policy with coverage limits of \$10,000,000 per occurrence and \$26,000,000 in the aggregate. BCAD is responsible for the first \$100,000 of each loss under this policy.

Cyber Liability Insurance - BCAD carries a cyber-liability policy with limits of \$10,000,000 per occurrence and in the aggregate, with a per claim retention of \$50,000.

Owner Controlled Insurance Program (OCIP) – The original OCIP program is a large deductible insurance program for County construction projects. The program is winding down and has been extended through 12/31/2019, solely for BCAD projects. The program provides qualified participants with general liability, limits of \$25,000,000 and environmental insurance coverage with limits of \$25,000,000. The program has a \$250,000 per occurrence deductible for general liability claims and a self-insured retention of \$50,000 per loss for environmental claims.

Fire Truck Insurance - BCAD carries a property damage policy on the Fire Trucks that service the FLL facility. The limit of coverage is \$1,250,000 per loss subject to a deductible of \$25,000 each occurrence.

Settled claims have not exceeded commercial coverage in the past three years.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 9 – RISK MANAGEMENT (Continued)

County's Self-Insurance Program

BCAD participates in the County's self-insured programs for its Workers' Compensation, Health Insurance, Auto Liability and any General Liability claims which may fall outside of the coverage provided by the airport owners and operator's general liability, environmental liability, or cyber liability insurance policies that BCAD purchases.

Workers' Compensation benefits are provided in accordance with Florida State Statutes by the County's Self-insurance fund. The County purchases excess insurance to protect the self-insurance fund from catastrophic losses. The excess insurance coverage provides full statutory benefits above the County's self-insured retention of \$1,500,000 per occurrence. There is no aggregate.

The County is self-insured for employee health insurance through a self-insurance program and has also purchased stop-loss coverage for the group medical and pharmacy plan with a specific deductible of \$400,000 per individual; which is the most the County or BCAD would be liable for.

BCAD makes payments for the County's Self-Insurance Programs to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to fund reserves for all BCAD losses. The estimated liabilities for self-insured losses were determined by independent actuarial valuations performed as of September 30, 2019. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends (including frequency and payout amounts), and other economic and social factors. The claim liability estimates also include amounts for incremental adjustment expenses as well as estimated recoveries from salvage or subrogation. The claim liabilities for the Self-Insurance Programs are reported in the County's Self-Insurance Fund. BCAD is not liable for amounts beyond the premiums paid to the Self-Insurance Fund.

Other Insurance Coverage

BCAD also participates in other insurance policies purchased by the County, including Crime, Fine Arts coverage, as well as purchasing or partaking in various policies which may be required by miscellaneous agreements or laws, statutes or regulations.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

BCAD, as a department of the County, participates in the County's single-employer, defined benefit healthcare plan. The plan allows its employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue separate financial reports. BCAD had 461 and 432 OPEB active benefit eligible employees in the plan at September 30, 2019 and 2018, respectively. The County had 237 and 237 inactive employees who received benefit payments at September 30, 2019 and 2018, respectively, whereas the number of BCAD's inactive employees is not available.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy

BCAD makes no direct contribution to the plan. Retirees and their beneficiaries pay the same group rates as are charged to BCAD for active employees.

Actuarial Methods and Assumptions

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

Significant methods and assumptions by year were as follows.

	2019	2018
Healthcare inflation rate	2.60%	2.60%
Projected Salary Increases*	3.25%	3.25%
Source of Mortality Assumptions	Florida State Retirement System	
Healthcare Cost Trend Rates	8.00% - initial 4.50% - ultimate	8.50% - initial 4.50% - ultimate
Discount Rate	3.58%	4.15%
Projected Cash flows	Pay as you go	
Municipal Bond rate	20- Year Tax Exempt General Obligation	
Bond Rate Basis	Average Rating of AA/Aa or higher	
Actuarial valuation date	09/30/19	09/30/18
Measurement date	09/30/19	09/30/18
Actuarial cost method	Entry age	

*includes 2.6% general inflation rate for Broward County employees.

Changes to Total OPEB Liability and Related Ratio

As of September 30, 2019 the total OPEB Liability of \$1,922,000 and \$1,733,000 was determined by an actuarial valuation with the measurement date of September 30, 2019 and 2018, respectively.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Below are the details regarding BCAD's total OPEB liability for the period from October 1, 2018 to September 30, 2019 (in thousands):

Total OPEB Liability recognized at 10/1/18	\$ 1,733
Changes for Fiscal Year:	
Service Cost	102
Interest	86
Difference between Actual and Expected Experience	(58)
Assumption changes	160
Benefit Payments	<u>(101)</u>
Net Change in total OPEB	189
Total OPEB Liability at 9/30/19	<u>\$ 1,922</u>
Covered Employee Payroll	\$ 24,647
Total as a percentage of Covered Employee Payroll	7.80%

Below are the details regarding BCAD's total OPEB liability for the period from October 1, 2017 to September 30, 2018 (in thousands):

Total OPEB Liability recognized at 10/1/17	\$ 1,636
Changes for Fiscal Year:	
Service Cost	90
Interest	68
Difference between Actual and Expected Experience	60
Assumption changes	(26)
Benefit Payments	<u>(95)</u>
Net Change in total OPEB	97
Total OPEB Liability at 9/30/18	<u>\$ 1,733</u>
Covered Employee Payroll	\$ 24,967
Total as a percentage of Covered Employee Payroll	6.94%

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total BCAD OPEB liability as of September 30, 2019 and 2018, as well as what the total BCAD OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 % and 3.15%, respectively) or 1 percentage point higher (4.58 % and 5.15%, respectively) than the current discount rate (in thousands):

As of September 30, 2019	1% Decrease	Current Discount Rate	1% Increase
Trend Rates	2.58%	3.58%	4.58%
OPEB Liability	\$ 2,208	\$ 1,922	\$ 1,688

As of September 30, 2018	1% Decrease	Current Discount Rate	1% Increase
Trend Rates	3.15%	4.15%	5.15%
OPEB Liability	\$ 1,975	\$ 1,733	\$ 1,525

Sensitivity of the total OPEB Liability to Changes in Healthcare Cost Trend Rates

For the year ended September 30, 2019 and 2018, the following presents for the total BCAD OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.00% to 3.50% and 7.50% to 3.50%, respectively) and 1 percentage point higher (9.00% to 5.50% and 9.50% to 5.50%, respectively) than the current healthcare cost trend rates (in thousands):

As of September 30, 2019	1% Decrease	Current Trend Rates	1% Increase
Trend Rates	7.00% to 3.50%	8.00% to 4.50%	9.00% to 5.50%
OPEB Liability	\$ 1,620	\$ 1,922	\$ 2,314

As at September 30, 2018	1% Decrease	Current Trend Rates	1% Increase
Trend Rates	7.50% to 3.50%	8.50% to 4.50%	9.50% to 5.50%
OPEB Liability	\$ 1,490	\$ 1,733	\$ 2,045

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019 and 2018, BCAD recognized OPEB expense of \$201,000 and \$162,000, respectively. At September 30, 2019 and 2018, BCAD reported deferred outflows and deferred inflows of resources related to OPEB for the following sources, respectively (in thousands):

As of September 30, 2019	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 174	
Change of assumptions or other inputs		\$ (66)
Total	<u>\$ 174</u>	<u>\$ (66)</u>

As of September 30, 2018	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 54	
Change of assumptions or other inputs		\$ (23)
Total	<u>\$ 54</u>	<u>\$ (23)</u>

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 13
2021	13
2023	13
2024	13
2025	13
Thereafter	43
	<u>\$ 108</u>

NOTE 11 - RETIREMENT PLANS

Eligible BCAD employees, as employees of the County, participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 – RETIREMENT PLANS (Continued)

board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments (COLA), and death benefits to plan members and beneficiaries. The Florida Legislature establishes and may amend the contribution requirements and benefit terms of all FRS plans.

The plan administrator for FRS prepares and publishes its own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of this report can be obtained from the Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, Florida 32315-9000; or at the Division's website (www.frs.myflorida.com).

A. Pension Plan

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

The general classes of membership for BCAD are as follows:

- Regular Class - Members of the FRS who do not qualify for membership in the other classes
- Senior Management Service Class (SMSC) - Members in senior management level positions

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after six years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after eight years of creditable service. Regular Class and, SMSC members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. Members in these classes initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Special Risk members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. Members in this class initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 60 or any age after 30 years of creditable service. Early retirement may be taken any time after vesting within 20 years of normal retirement age, however, there is a 5.0% benefit reduction for each year prior to the normal retirement age.

DROP is available under the Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July, and earn monthly interest equivalent to an annual rate of 1.30% on the preceding month's DROP accumulation until DROP participation ends.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 – RETIREMENT PLANS (Continued)

received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned.

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value (Per Year of Service)</u>
Regular Class Members Initially Enrolled Before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class Members Initially Enrolled On or After July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Senior Management Service Class	2.00%

The benefits received by retirees and beneficiaries are increased by a cost of living adjustment (COLA) each July. If the member was initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before that time, the annual COLA is 3.0% per year. The annual COLA for retirees with an effective retirement date or DROP date beginning on or after August 1, 2011, who were initially enrolled before July 1, 2011, is a proportion of 3.0% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3.0%. Pension Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

Contributions - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, respectively, were as follows: Regular – 6.54% and 6.75%; Senior Management Service – 22.34% and 23.69%; Special Risk – 22.78% and 23.76%; and DROP participants – 12.37% and 12.94%. The employer contribution rates by job class for the periods July 1, 2017 through June 30, 2018 were as follows: Regular – 6.20; Senior Management Service – 20.99%; Special Risk – 21.55%; and DROP participants – 11.60%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment. For the fiscal year ended September 30, 2019 and 2018, contributions, included employee contributions of \$675,000 and \$626,000 respectively, to the Pension Plan for BCAD totaled \$2,746,000 and \$2,385,000 respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2019 and 2018, BCAD reported liabilities of \$20,570,000 and \$17,105,000, respectively, for its proportionate share of the County's Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 – RETIREMENT PLANS (Continued)

pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018. BCAD's proportionate share of the County's net pension liability was based on its share of the County's 2018-2019 and 2017-2018 fiscal year contributions relative to the 2018-2019 and 2017-2018 fiscal year contributions of all participating members. At June 30, 2019, the BCAD's proportionate share was 0.07314%. The proportionate share for the BCAD at June 30, 2019 as compared to June 30, 2018 was an increase of 0.00619 percentage points. At June 30, 2018, BCAD's proportionate share was 0.06695%, which was an increase of 0.01297 percentage points from its proportionate share measured at June 30, 2017.

For the fiscal years ended September 30, 2019 and 2018, BCAD recognized pension expense of \$6,335,000 and \$3,584,000, respectively. In addition, BCAD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

As of September 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,494	\$ (16)
Change of assumptions	6,470	
Net difference between projected and actual earnings on Pension Plan investments		(1,393)
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	659	(183)
Pension Plan contributions subsequent to the measurement date	645	
Total	\$ 9,268	\$ (1,592)

As of September 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,708	\$ (62)
Change of assumptions	6,589	
Net difference between projected and actual earnings on Pension Plan investments		(1,558)
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	654	(246)
Pension Plan contributions subsequent to the measurement date	554	
Total	\$ 9,505	\$ (1,866)

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 – RETIREMENT PLANS (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$645,000 for BCAD, resulting from contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows (in thousands):

<u>Years Ending September 30</u>	
2020	\$ 2,377
2021	716
2022	1,733
2023	1,307
2024	337
Thereafter	561
Total	<u>\$ 7,031</u>

Actuarial Assumptions - The total pension liability in the July 1, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	6.90% in 2019 and 7.00% in 2018, net of pension plan investment expense, including inflation

Mortality rates used in the July 1, 2018 valuation were based on the Generational RP-2000 with Projection Scale BB tables. Mortality rates used in July 1, 2019 valuation were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The assumptions used in the July 1, 2019 valuation were unchanged from those used in the prior valuation as of July 1, 2018 except for the investment return assumption which was decreased from 7.00% to 6.90%.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - RETIREMENT PLANS (Continued)

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.3%	3.3%	1.2%
Fixed Income	18.0%	4.1%	4.1%	3.5%
Global Equity	54.0%	8.0%	6.8%	16.5%
Real Estate (Property)	10.0%	6.7%	6.1%	11.7%
Private Equity	11.0%	11.2%	8.4%	25.8%
Strategic Investments	6.0%	5.9%	5.7%	6.7%
	100.0%			
Assumed Inflation - Mean			2.6%	1.7%

*As outlined in the Pension Plan's investment policy.

Discount Rate - The discount rate used to measure the total pension liability was 6.90% and 7.00% in FY2019 and FY2018, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 6.90% rate of return assumption used in the June 30, 2019 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates for the Pension Plan.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents BCAD's proportionate share of the net pension liability calculated as of September 30, 2019 and 2018, using the discount rates of 6.90% and 7.00% respectively, as well as what the proportionate share of the net pension liability will be if it were calculated using the discount rate that is one percentage point lower (5.90% and 6.00% respectively) or one percentage point higher (7.90% and 8.00% respectively) than the current rate (in thousands):

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - RETIREMENT PLANS (Continued)

As of September 30, 2019	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Proportional Share of the Net Pension Liability	\$43,543	\$20,570	\$9,860
As of September 30, 2018	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportional Share of the Net Pension Liability	\$36,802	\$17,105	\$6,347

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2019 and 2018, BCAD reported payables in the amount of \$166,000 and \$143,000, respectively, for outstanding contributions to the Pension Plan required for the fiscal years ended September 30, 2019 and 2018.

B. HIS Plan

Plan Description - The HIS Plan is a non-qualified, cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. The employer contributions are a percentage of gross compensation for all active FRS members. The employer contribution rates for the periods from July 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019 were 1.66% and 1.66%, respectively. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriate or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - RETIREMENT PLANS (Continued)

For the fiscal years ended September 30, 2019 and 2018, contributions to the HIS Plan for BCAD totaled \$437,000 and \$390,000 respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2019 and 2018, BCAD reported liabilities of \$8,645,000 and \$7,799,000, respectively, for its proportionate share of the County's HIS Plan's net pension liability. The net pension liabilities were measured as of June 30, 2019 and June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of June 30, 2019 using a standard roll-forward technique. BCAD's proportionate share of the County's net pension liability was based on its share of the County's 2018-2019 and 2017-2018 fiscal year contributions relative to the 2018-2019 and 2017-2018 fiscal year contributions of all participating members. At June 30, 2019, BCAD's proportionate share was 0.09848%, which was an increase of 0.00926 percentage points from its proportionate share measured at June 30, 2018. At June 30, 2018, the BCAD's proportionate share was 0.08922% which was an increase of 0.01904 percentage points from its proportionate share measured at June 30, 2017.

For the fiscal years ended September 30, 2019 and 2018, BCAD recognized pension expense of \$966,000 and \$783,000 respectively. In addition, BCAD reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources (in thousands):

As of September 30, 2019	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 134	\$ (13)
Change of assumptions	1,276	(901)
Net difference between projected and actual earnings on Pension Plan investments	7	
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	682	(25)
Pension Plan contributions subsequent to the measurement date	<u>151</u>	
Total	<u>\$ 2,250</u>	<u>\$ (939)</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - RETIREMENT PLANS (Continued)

As of September 30, 2018	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ (16)
Change of assumptions	\$ 1,195	(998)
Net difference between projected and actual earnings on Pension Plan investments	6	
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	533	(38)
Pension Plan contributions subsequent to the measurement date	<u>131</u>	
Total	<u>\$ 1,865</u>	<u>\$ (1,052)</u>

The deferred outflows of resources as of September 30, 2019 related to the HIS Plan, totaling \$151,000 for BCAD, resulting from contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Years Ending September 30</u>	
2020	\$ 214
2021	172
2022	94
2023	(68)
2023	12
Thereafter	<u>736</u>
Total	<u>\$ 1,160</u>

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2018 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities as of June 30, 2019 and June 30, 2018. Liabilities originally calculated as of the June 30, 2019 actuarial date were recalculated as of June 30, 2019 and June 30, 2018 using a standard actuarial roll-forward technique. The total pension liabilities as of June 30, 2019 and 2018 were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	3.50% in 2019 and 3.87% in 2018, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions that determined the total pension liability as of June 30, 2019 and 2018 were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - RETIREMENT PLANS (Continued)

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The change between the two measurement dates is due to the changes in the applicable municipal bond index between the dates.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents BCAD's proportionate share of the net pension liability calculated as of September 30, 2019 and 2018 using the discount rate of 3.50% and 3.87%, respectively, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50% and 2.87% respectively) or one percentage point higher (4.50% and 4.87% respectively) than the current rate (in thousands):

As of September 30, 2019

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Proportional Share of the Net Pension Liability	\$12,579	\$8,645	\$9,720

As of September 30, 2018

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Proportional Share of the Net Pension Liability	\$10,755	\$7,799	\$8,349

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the HIS Plan - At September 30, 2019 and 2018, BCAD reported payables in the amount of \$34,000 and \$30,000, respectively, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2019 and 2018.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - RETIREMENT PLANS (Continued)

BCAD's proportionate share of the County Plans' net pension liability, deferred outflows of resources and deferred inflows of resources as of September 30, 2019 and 2018, and pension expense/adjustment for the fiscal years ended September 30, 2019 and 2018 was allocated to BCAD based on contributions. Amounts are as follows (in thousands):

	Net Pension Liabilities		Deferred Outflows of Resources		Deferred Inflows of Resources		Pension Expense Adjustment	
	2019	2018	2019	2018	2019	2018	2019	2018
Pension Plan	\$ (20,570)	\$ (17,105)	\$ 9,268	\$ 9,505	\$ (1,592)	\$ (1,866)	\$ 3,427	\$ 799
HIS Plan	(8,645)	(7,799)	2,250	1,865	(939)	(1,052)	347	212
Total	\$ (29,215)	\$ (24,904)	\$ 11,518	\$ 11,370	\$ (2,531)	\$ (2,918)	\$ 3,774	\$ 1,011

Please refer to Required Supplementary Information Section for additional details.

C. Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida State Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Effective July 1, 2012, allocations to the investment member's accounts, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular Class - 6.30%, Senior Management Service Class - 7.67.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the County.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - RETIREMENT PLANS (Continued)

transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Investment Plan pension expense for BCAD totaled \$650,000 and \$525,000 for the fiscal years ended September 30, 2019 and 2018, respectively.

Payables to the Investment Plan - At September 30, 2019 and 2018, BCAD reported payables in the amount of \$55,000 and \$42,000, respectively, for outstanding contributions to the Investment Plan required for the fiscal year ended September 30, 2019 and 2018.

NOTE 12 - TRANSACTIONS WITH OTHER COUNTY DEPARTMENTS

BCAD reimburses the General Fund of the County for an allocated portion of certain support department costs, which include such services as management, administrative, fiscal, internal audit, legal, personnel, purchasing, computer services and information systems, and communication costs. Furthermore, BCAD is charged for the cost of services provided by the Risk Management, Building Code Services, Fleet Services and Print Shop Funds. The total cost for the above services was approximately \$17,854,000 and \$17,206,000 for the years ended September 30, 2019 and 2018, respectively. BCAD also pays the Water and Wastewater Fund, an enterprise fund of the County, for water. The water charges for the years ended September 30, 2019 and 2018 totaled approximately \$2,331,000 and \$2,272,000, respectively.

BCAD contracts directly with the Broward County Sheriff's Office for security services at FLL. The cost of these services was approximately \$21,653,000 and \$19,725,000 for the years ended September 30, 2019 and 2018, respectively.

BCAD also contracts with Broward Sheriff's Office Department of Fire Rescue for fire-rescue services at FLL. The cost of these services was approximately \$11,965,000 and \$11,234,000 for the years ended September 30, 2019 and 2018, respectively.

The Port Everglades Fund, an enterprise fund of the County, reimburses BCAD for their allocation of maintenance costs for the landscaping on U.S. 1 at FLL. The amount invoiced for the years ended September 30, 2019 and 2018, was approximately \$37,000 and \$25,000, respectively. Similarly, the Public Works Department, through the General Fund of the County, reimburses BCAD for their allocation of maintenance costs for the landscaping on U.S. 1 at FLL. The reimbursements for the years ended September 30, 2019 and 2018, were approximately \$185,000 and \$123,000, respectively.

At September 30, 2019 and 2018, there was no receivable from other County funds and departments and approximately \$12,367,000 and \$5,459,000, respectively, was payable to other County funds for security and fire-rescue services and permits.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

The County from time to time is involved in disputes with construction contractors and currently is actively engaged in other lawsuits with construction contractors.

A contractor working on the T3 Security Checkpoint improvement project grew vastly behind schedule as producing inadequate work for the items completed. As a result, the contractor was terminated for cause from the project. The contractor is seeking damages for the work performed and improper termination for cause by the County and its architect/consultant on the project. The County has filed a counterclaim against the contractor. This case is likely to proceed to trial in the 2nd quarter of 2020.

More than 200 individual plaintiffs filed actions against the County relating to the south runway expansion at FLL and the associated noise mitigation program, and all were dismissed in favor of the County and only five individual actions remain pending. We expect to resolve these few remaining claims over the next year.

In March 2019, the County and two of its vendors were sued in Federal Court in the Southern District of Florida. The lawsuit alleges violations of the federal Fair and Accurate Credit Transactions Act of 2003 ("FACTA") at the Airport parking facility. The lawsuit alleges that parking receipts issued at the Airport parking facility, during a specified period, violated FACTA's "truncation" requirement, which prohibits printing on the receipt more than the last five digits of the card number or the card's expiration date. The lawsuit will seek certification to cover a class of all individuals who received receipts in violation of FACTA's truncation requirement, starting with the period that began two years prior to the date the lawsuit was filed. Besides the one receipt issued to the plaintiff, the Airport has not been able to determine that any other prohibited receipts were issued to customers. However, the Airport does know that during the relevant time frame there are as many as 106,000 credit card transactions. It is too early in the litigation for the County to evaluate the likelihood of a particular outcome. However, the Office of the County Attorney is of the opinion that the possible exposure resulting from any ultimate resolution of this litigation would not have a material adverse effect on the Airport's ability to pay debt service on the Series Bonds.

There are five lawsuits pending against the County arising out of the January 6, 2017 shooting at FLL. Each suit is identical in its allegations and name Delta Airlines, Allied Barton Security Services (contracted security), Broward County and the Broward Sheriff's Office as defendants. The cases assert claims for negligence and negligent security. The County has denied liability for the claims. The County's general liability insurance carrier is providing a complete defense and has acknowledged coverage for any damages that may result from the lawsuits. Accordingly, any recovery from any resolution would not have a material adverse effect on the Airport System or the Airport's ability to pay debt service on the Series Bonds.

The County will continue to vigorously defend all claims. The Office of the County Attorney is of the opinion that the possible exposure resulting from the outcome of above litigation would not have a material adverse economic effect on BCAD or the County.

Federal and State of Florida grants are subject to audit by the granting agencies to determine if activities comply with conditions of the grants. Management believes that no material liability will arise from any grant audits.

At September 30, 2019, BCAD had in process various uncompleted construction projects with commitments totaling \$238,060,000. The retainage payable on these contracts totaled \$35,276,000. Funding of these projects is made primarily through the proceeds of the related bond issues.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 14 – MAJOR CUSTOMERS

A significant portion of the BCAD’s earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines operating out of FLL.

BCAD’s earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations at FLL and should BCAD be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of the enplaned passengers.

Major customers, based on number enplaned passengers, are as follows:

Passenger Enplanements	2019		2018	
JetBlue Airways	4,295,418	23.7%	4,284,617	24.3%
Spirit Airlines	4,053,992	22.3%	3,545,132	20.1%
Southwest Airlines	3,671,169	20.2%	3,735,073	21.2%
Delta Air Lines	1,813,691	10.0%	1,728,709	9.8%
United Airlines	1,087,381	6.0%	1,079,231	6.1%
American Airlines	965,141	5.3%	1,059,204	6.0%
Air Canada	424,174	2.3%	411,458	2.3%
Allegiant Air	480,444	2.6%	424,439	2.4%
Silver Airways	182,444	1.0%	199,432	1.1%
Others	1,190,573	6.6%	1,189,029	6.7%
Total Enplanements	18,164,427	100.0%	17,656,324	100.0%

NOTE 15 - SUBSEQUENT EVENTS

On November 21, 2019, BCAD issued the Series 2019ABC Airport System Revenue bonds totaling \$1,304,318,000 (par value \$1,216,625,000) for the purposes detailed below in addition to funding reserve account requirements, as well as paying underwriters’ discounts and certain other costs of issuance.

The Series 2019A (AMT) bonds were issued with a par value of \$435,060,000 and an average coupon interest rate of 5.00%. The issuance included a premium of \$74,594,000 resulting in a true interest cost of 3.35%. The Series 2019A Bonds were issued to provide funding for terminal renovation and expansion projects and related airport improvement projects.

The Series 2019B (AMT) refunding bonds were issued with a par value of \$61,630,000 and a coupon interest rate of 5%. The issuance included a premium of \$13,100,000 resulting in a true interest cost of 1.96%. The Series 2019B bonds refunded, on a current basis, the outstanding Series 2009O (AMT) bonds with a par value totaling \$75,105,000. This results in a Deferred Outflow in the amount of \$1,456,000 over 10 years. This will yield an economic gain of \$16,600,666 on a present value basis.

The Series 2019C (Taxable) refunding bonds were issued with a par value of \$719,935,000 and an average coupon of 3.25%. The transaction resulted in a true interest cost of 3.26%. The Series 2019C bonds refunded, on an advance basis, multiple CUSIPS spanning the following Series: 2012P-1, 2012P-2, 2012Q-1, 2012Q-2, 2013A, 2013B and 2013C. This results in a Deferred Outflow in the amount of \$53,000,000 over 24 years. This will yield an economic gain of \$69,900,000 on a present value basis.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 15 - SUBSEQUENT EVENTS (Continued)

South Runway Grant proceeds in the amount of \$22,968,000 were received on October 7, 2019 from Florida Department of Transportation.

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of BCAD could be significantly adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

BROWARD COUNTY AVIATION DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
Unaudited

Schedule of Change in BCAD's Other Post Employment Benefits Liability and Related Ratios (1)
Last Ten Fiscal Years*
(in Thousands)

	<u>2019</u>	<u>2018</u>
Service Cost	\$ 102	\$ 90
Interest	86	68
Difference between Actual and Expected Experience	(58)	60
Assumptions Changes	160	(26)
Benefits Payments.	<u>(101)</u>	<u>(96)</u>
 Net Change in OPEB	 <u>189</u>	 <u>96</u>
 Total OPEB Liability beginning	 \$ 1,733	 \$ 1,636
Total OPEB Liability ending	<u>\$ 1,922</u>	<u>\$ 1,733</u>
 Covered Employee Payroll	 \$ 24,647	 \$ 24,967
Total as a percentage of Covered Employee Payroll	 7.80%	 6.94%

Note: (1) The amounts presented for each fiscal year were determined as of September 30th (in thousands).

*This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of into formation is available.

BROWARD COUNTY AVIATION DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
Unaudited

Schedule of the Proportionate Share of the Net Pension Liability
Florida Retirement System Pension Plan
Last Ten Fiscal Years
(in Thousands)

	2019	2018	2017	2016	2015	2014
BCAD's proportion of the net pension liability (asset)	0.07314%	0.06695%	0.05398%	0.05222%	0.05442%	0.05484%
BCAD's proportionate share of the net pension liability (asset)	\$ 20,570	\$ 17,105	\$ 15,968	\$ 13,186	\$ 7,029	\$ -
BCAD's covered payroll	\$ 26,070	\$ 23,307	\$ 22,650	\$ 19,142	\$ 18,433	\$ 18,608
BCAD's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	78.90%	73.39%	70.49%	68.88%	38.13%	-0.01%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.00%

The amounts presented for each fiscal year were determined as of June 30th

Schedule of Contributions

Last Ten Fiscal Years
(in Thousands)

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,071	\$ 1,759	\$ 1,433	\$ 1,189	\$ 1,188	\$ 1,170
Contributions in relation to the contractually required contribution	\$ (2,071)	\$ (1,759)	\$ (1,433)	\$ (1,189)	\$ (1,188)	\$ (1,170)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCAD's covered payroll	\$ 26,341	\$ 23,469	\$ 22,827	\$ 20,474	\$ 18,258	\$ 19,529
Contributions as a percentage of covered payroll	7.86%	7.50%	6.28%	5.81%	6.51%	5.99%

The amounts presented for each fiscal year were determined as of September 30th.

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

BROWARD COUNTY AVIATION DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
Unaudited

Schedule of the Proportionate Share of the Net Pension Liability
Florida Retirement System Health Insurance Subsidy Plan
Last Ten Fiscal Years
(in Thousands)

	2019	2018	2017	2016	2015	2014
BCAD's proportion of the net pension liability (asset)	0.09848%	0.08922%	0.07018%	0.06900%	0.06779%	0.06807%
BCAD's proportionate share of the net pension liability (asset)	\$ 8,645	\$ 7,799	\$ 7,504	\$ 8,041	\$ 6,914	\$ 6,365
BCAD's covered payroll	\$ 26,070	\$ 23,307	\$ 22,650	\$ 19,142	\$ 18,433	\$ 18,608
BCAD's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.16%	33.46%	33.13%	42.01%	37.51%	34.21%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

The amounts presented for each fiscal year were determined as of June 30th

Schedule of Contributions
Florida Retirement System Health Insurance Subsidy Plan
Last Ten Fiscal Years
(in Thousands)

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 437	\$ 390	\$ 379	\$ 340	\$ 232	\$ 234
Contributions in relation to the contractually required contribution	\$ (437)	\$ (390)	\$ (379)	\$ (340)	\$ (232)	\$ (234)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCAD's covered payroll	\$ 26,341	\$ 23,469	\$ 22,827	\$ 20,474	\$ 18,258	\$ 19,529
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.27%	1.20%

The amounts presented for each fiscal year were determined as of September 30th.

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

BROWARD COUNTY AVIATION DEPARTMENT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – OTHER POSTEMPLOYMENT BENEFITS INFORMATION

BCAD did not have plan assets accumulated in a trust. The discount rate used to measure the total OPEB liability at September 30, 2019 was decreased to 3.58% from 4.15%. The discount rate will be updated annually to reflect market conditions as of the measurement date.

NOTE 2 – PENSION INFORMATION

The discount rate used to measure the pension liability of the Pension Plan at June 30, 2019 was decreased from 7.00% to 6.90%. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The rate of return assumption used in the June 30, 2019 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes, which differs from the rate used for funding purposes, which is used to establish the contribution rates of the Plan.

BROWARD COUNTY AVIATION DEPARTMENT
SUPPLEMENTARY INFORMATION

Schedule of Revenue Bond Debt Service Coverage
(in Thousands)

	2019	2018
Revenues	\$ 306,141	\$ 284,678
Interest income*	19,321	14,738
Current expenses**	<u>(192,918)</u>	<u>(174,830)</u>
Net revenues	132,544	124,586
Transfer from General Purposes Account	<u>53,786</u>	<u>22,437</u>
Net revenues and transfers available for debt service	<u>\$ 186,330</u>	<u>\$ 147,023</u>
Debt service		
Series 2001J-2 Bonds	\$ 15,783	\$ 15,782
Series 2004L Bonds		
Series 2009O Bonds	7,329	7,328
Series 2012P-1 Bonds	14,384	14,376
Series 2012P-2 Bonds	13,188	13,191
Series 2012Q-1 Bonds	32,070	32,073
Series 2012Q-2 Bonds	6,982	6,980
Series 2013A Bonds	10,991	10,990
Series 2013B Bonds	3,636	3,637
Series 2013C Bonds	14,092	14,090
Series 2015A Bonds	28,575	28,574
Series 2015B Bonds	479	479
Series 2015C Bonds	6,248	6,249
Series 2017 Bonds	-	-
Passenger facility charge and grant offset	<u>(57,970)</u>	<u>(57,974)</u>
Total debt service	<u>\$ 95,787</u>	<u>\$ 95,775</u>
Debt service coverage	195%	154%
Required debt service coverage per bond resolution	125%	125%

*Interest income excludes a net unrealized gain on investments of \$10,263,000 for fiscal year 2019 and a net unrealized loss on investments of \$5,207,000 for fiscal year 2018.

**Current expenses exclude pension adjustments relating to GASB Statement No. 68 of \$3,774,000 and \$1,011,000 for fiscal year 2019 and fiscal year 2018, respectively.



RSM US LLP

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditor's Report

To The Honorable Board of County Commissioners
Broward County Aviation Department
Broward County, Florida

We have audited, in accordance with the 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, the financial statements of the Broward County Aviation Department (BCAD), an enterprise fund of Broward County, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise BCAD's basic financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BCAD's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BCAD's internal control. Accordingly, we do not express an opinion on the effectiveness of BCAD's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BCAD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Fort Lauderdale, Florida
March 26, 2020