



Broward County Aviation Department

A Major Fund of Broward County, Florida

Financial Statements

For the Years Ended September 30, 2020 and 2019

BROWARD COUNTY AVIATION DEPARTMENT
 FINANCIAL STATEMENTS
 TABLE OF CONTENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Independent Auditor’s Report	3
Management’s Discussion and Analysis	5
Financial Statements:	
Statements of Net Position.....	21
Statements of Revenues, Expenses and Changes in Net Position.....	23
Statements of Cash Flows.....	24
Notes to Financial Statements.....	27
Required Supplementary Information:	
Schedule of Change in BCAD’s Other Postemployment Benefits Liability and Related Ratios (Unaudited).....	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, 2020 and 2019, 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, 2020 and 2019, and the respective changes in financial position and cash flows thereof 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, 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, 2020 and 2019, the changes in its 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 April 13, 2021 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
April 13, 2021

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, 2020 and 2019. 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 2020

- In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social interruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. Travel restrictions were put in place in March 2020, which severely impacted airport operating revenue for the rest of fiscal year 2020.
- BCAD's assets and deferred outflows of resources exceeded liabilities and deferred inflows at the close of fiscal year 2020 by \$1.8 billion.
- Total revenue bonds payable were \$2.5 billion at September 30, 2020, an increase of \$431.8 million, or 21.1%, over fiscal year 2019, attributed to the Series 2019ABC bond issuance in November 2019.
- Operating revenues were \$342.6 million in fiscal year 2020, which represents an 11.9% increase over fiscal year 2019. In comparison to fiscal year 2019, there were notable decreases in rental cars, parking and concession revenues of 19.6%, 46.8% and 40.7% respectively, also as result of the negative effects of COVID-19. Other non-airline revenues such as non-airline terminal rents and other rents increased by 18.8%. While enplanements and landed weights showed decreases of 41.2% and 31.5% respectively, due to the impact of the coronavirus (COVID-19), airline revenues showed an increase of \$89.3 million, or 73.8% over fiscal year 2019. The airline revenue increase was driven by a release of previously deferred revenues of \$57.8 million and an airline settlement of \$37.4 million to cover the shortfall in operating revenues to ensure coverage of the Bond Resolution rate covenant.
- Operating expenses, excluding depreciation, were \$171.3 million in fiscal year 2020, representing a 12.9% decrease over fiscal year 2019. The decrease is mainly due to decreases in contractual services, law enforcement and fire rescue, utilities, maintenance as well as general and administrative expenditures.

**BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Capital contributions were \$59.4 million in fiscal year 2020 and are comprised primarily of amounts received from the Federal Aviation Administration's (FAA), and Florida Department of Transportation (FDOT).
- The net position increased by \$191.0 million, or 12.2%, over fiscal year 2019.

Activity Highlights

Passenger enplanements at FLL decreased by 41.2% during fiscal year 2020, due to the impact of the coronavirus (COVID-19). The increase in enplanements in fiscal year 2019 over fiscal year 2018 was 2.9%. The decreases in commercial aviation operations, cargo operations and in general aviation operations of 33.8, 7.6% and 23.4% respectively resulted in an overall decrease in aircraft operations in fiscal year 2020 of 32% compared with fiscal year 2019. Below is a comparative table of activities by fiscal year:

Activity	Fiscal Years Ended September 30		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Enplanements	10,683,612	18,164,427	17,656,324
Landed weight (1,000 pounds)			
Passenger airlines	13,005,508	19,166,207	18,605,080
Cargo airlines	393,879	490,556	470,662
General aviation	406,945	486,483	527,759
Total landed weight	<u>13,806,332</u>	<u>20,143,246</u>	<u>19,603,501</u>
Aircraft operations	220,158	323,648	322,667

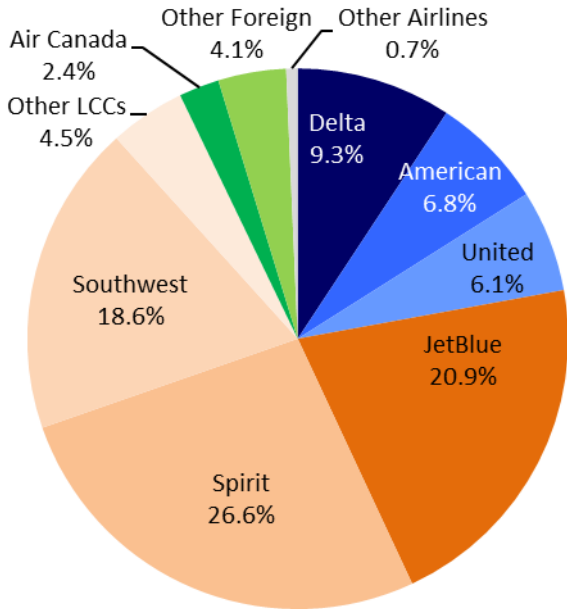
**BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Airline Market Share and Passenger Enplanements

In fiscal year 2020, the 9 Signatory Airlines represented 94% of enplanements, of which the top 5 airlines totaled 82%. This diversity reduces the reliance on the performance of one dominant airline. It is noteworthy that Spirit Airlines has steadily increased their share over the years and was on top of the leaderboard in fiscal year 2020 with enplanements of 27%.

Passenger Enplanements	Fiscal Years Ended September 30							
	2020		2019		2018		2017	
JetBlue Airways	2,236,408	21%	4,295,418	24%	4,284,617	24%	3,976,918	25%
Spirit Airlines	2,843,786	27%	4,053,992	22%	3,545,132	20%	3,092,263	20%
Southwest Airlines	1,991,075	19%	3,671,169	20%	3,735,073	21%	2,992,568	19%
Delta Air Lines	990,027	9%	1,813,691	10%	1,728,709	10%	1,644,120	10%
United Airlines	650,414	6%	1,087,381	6%	1,079,231	6%	918,205	6%
American Airlines	721,922	7%	965,141	5%	1,059,204	6%	1,133,179	7%
Air Canada	257,644	2%	424,174	2%	411,458	2%	404,578	3%
Allegiant Air	292,550	3%	480,444	3%	424,439	2%	334,586	2%
Silver Airways	71,158	1%	182,444	1%	199,432	1%	163,663	1%
Others	628,628	5%	1,190,573	7%	1,189,029	7%	1,145,137	7%
Total Enplanements	10,683,612	100%	18,164,427	100%	17,656,324	100%	15,805,217	100%

The Low Cost Carriers' (LCC) market share of enplanements (shaded in orange hues below) was 70.2% in fiscal year 2020, which represents an increase of 1.3 percentage points compared with fiscal year 2019 and a significant increase from the LCC's 57.1% market share 10 years ago.



BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 postemployment 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, 2020, 2019 and 2018 (in thousands):

Net Position	Fiscal Years Ended September 30		
	2020	2019	2018
Assets			
Current and other assets	\$ 1,396,753	\$ 991,009	\$ 1,094,945
Capital assets, net	3,166,228	3,078,697	2,927,661
Total assets	4,562,981	4,069,706	4,022,606
Deferred outflow of resources	65,696	12,675	12,513
Liabilities			
Current liabilities	248,891	350,079	277,151
Noncurrent liabilities	2,625,617	2,167,374	2,239,027
Total liabilities	2,874,508	2,517,453	2,516,178
Deferred inflow of resources	879	2,597	2,941
Net investment in capital assets	1,059,547	979,509	962,858
Restricted	450,533	451,348	433,820
Unrestricted	243,210	131,474	119,322
Total Net Position	\$ 1,753,290	\$ 1,562,331	\$ 1,516,000

Total net position as of September 30, 2020, was \$1.8 billion, representing an increase of \$191.0 million, or 12.2% compared to 2019. Total net position as of September 30, 2019, was \$1.6 billion, representing an increase of \$46.3 million, or 3.1%, compared to 2018.

At September 30, 2020, 60.4% 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 (25.7% at September 30, 2020), 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 (13.9% at September 30, 2020), may be used to meet any of BCAD's ongoing obligations.

Capital assets, net of depreciation increased by \$87.5 million, or 2.8%, from \$3.1 billion at September 30, 2019, to \$3.2 billion at September 30, 2020. The increase is mainly attributable to construction in progress relating to the renovations at Terminal 2, 3 and 4.

Current and other assets at September 30, 2020, totaled \$1.4 billion, representing an increase of \$405.7 million, or 40.9 %, compared to September 30, 2019. This is primarily due to unspent bond proceeds and an increase in bond reserves from bonds issued in November 2019 to finance major capital projects.

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 the progress on major projects continues.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, **deferred outflows and inflows of resources** are reported separately from assets and liabilities. BCAD has five 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 are two new items in fiscal year 2020, one relating to a loss on refunding from bond refunding, both current and advance refunding. Due to the advance refunding affecting various series, prior deferred amounts have been affected. There was an overall increase in the deferred amount during fiscal year 2020 due to this bond refunding and bond advance refunding. The second item relates to deferred variances according to GASB Statement No. 68, Accounting and Financial Reporting for Pensions. 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 \$1.3 million in fiscal year 2020 compared to fiscal year 2019, and the level of deferred inflows on pensions decreased by \$1.7 million during the same period. The third item relates to deferred variances according to GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. 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 \$634,000 in fiscal year 2020 and deferred inflows on OPEB are \$65,000.

Current liabilities at September 30, 2020, are \$248.9 million representing a decrease of \$101.2 million, or 28.9%, over the prior year. This is attributable to a decrease in unearned revenues and due to other County funds as well as accounts payable. During fiscal year 2019 current liabilities increased by \$72.9 million, or 26.3% over 2018.

Noncurrent liabilities increased by \$458.2 million, or 21.1%, during fiscal year 2020 compared to fiscal year 2019 mainly due to the issue of the Series 2019ABC Bonds in November 2019. Noncurrent liabilities decreased by \$71.7 million, or 3.2%, during fiscal year 2019 due to the repayment of bond principal.

At September 30, 2020, there are \$207.4 million in unamortized bond premiums, net of unamortized bond discounts, primarily from the new money issues in fiscal years 2012, 2013, 2015, 2017 and 2019, and the refunding issues in fiscal years 2012, 2015 and 2019. At September 30, 2019, there were \$173.1 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, 2020, 2019 and 2018 (in thousands):

Summary of Revenues, Expenses and Changes in Net Position	Fiscal Years Ended September 30		
	2020	2019	2018
Operating Revenues	\$ 342,576	\$ 306,141	\$ 284,678
Operating Expenses	171,342	196,692	175,841
Operating income before depreciation	171,234	109,449	108,837
Depreciation	124,245	126,073	114,318
Operating Income	46,989	(16,624)	(5,481)
Nonoperating Revenues (Expenses)	84,561	8,814	4,628
Capital Contributions	59,409	54,141	51,979
Change in Net Position	190,959	46,331	51,126
Net Position - Beginning of Year, as previously reported	1,562,331	1,516,000	1,465,231
Cumulative effect of adoption of GASB Statement No. 75	-		(357)
Total Net Position - Beginning of Year, as restated	1,562,331	1,516,000	1,464,874
Total Net Position - End of Year	\$ 1,753,290	\$ 1,562,331	\$ 1,516,000

In fiscal year 2020, operating revenues increased by \$36.4 million, or 11.9%, while operating expenses decreased \$25.4 million, or 12.9%, compared to the same period last year.

During 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 fiscal year 2018.

Overall, BCAD's net position increased by \$191.0 million in fiscal year 2020 compared to an increase of \$46.3 million during fiscal year 2019. 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**

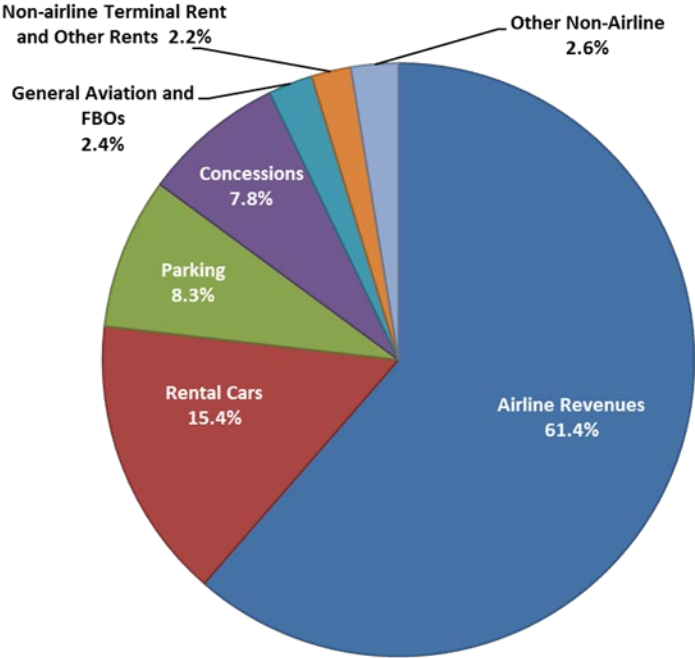
Operating Revenues

The major sources of operating revenues for the fiscal years ended September 30, 2020, 2019 and 2018 are (in thousands):

Operating Revenues	Fiscal Years Ended September 30		
	2020	2019	2018
Airline revenues	\$ 210,338	\$ 121,053	\$ 104,874
Rental cars	52,794	65,645	65,649
Parking	28,328	53,228	52,409
Concessions ¹	26,569	44,797	40,583
General aviation and fixed based operators	8,316	7,575	7,451
Non-airline terminal rent and other rents	7,389	6,222	6,926
North Perry Airport	1,640	1,561	1,476
Cargo	1,879	2,066	2,037
Miscellaneous operating revenues	5,323	3,994	3,273
Total Operating Revenues	\$ 342,576	\$ 306,141	\$ 284,678

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

Fiscal year 2020 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 \$89.3 million, or 73.8%, in fiscal year 2020, in accordance with the residual rate-making formula in the airline agreements. The increase was driven by the release of the prior year liability (unearned revenues) of \$57.8 million and an airline settlement of \$37.4 million, in accordance with the provisions of the airline agreement, to ensure compliance with the rate covenant per the Bond Resolution. Airline revenues represented 61.4% of overall operating revenues in fiscal year 2020, resulting in an increased CPE of \$10.78 that is significantly higher than the CPE of \$6.89 in the previous year, driven by the significant decrease in airline activity in fiscal year 2020 due to the impact of COVID-19.

Airline Cost per Enplanement (in thousands)	Fiscal Years Ended September 30		
	2020	2019	2018
Airline revenues	\$ 210,338	\$ 121,053	\$ 104,874
Take out: Airline revenue adjustment	(95,222)	4,035	31,349
Airline revenues, excluding revenue adjustment	\$ 115,116	\$ 125,088	\$ 136,223
Enplaned passengers	10,683,612	18,164,427	17,656,324
Average Cost Per Enplanement (CPE)	\$10.78	\$6.89	\$7.72

Airline revenues increased by \$16.2 million, or 15.4%, in fiscal year 2019 mainly due to an increase in airline activity compared to the prior year. Airline revenues represented 39.5% and 36.8% of overall operating revenues in fiscal years 2019 and 2018, respectively.

Non-airline revenues represented 38.6% of total operating revenues in fiscal year 2020. The main categories of non-airline revenues are rental car revenues, parking revenues, and concessions. Revenues from all three categories decreased in the fiscal year 2020 due to a reduction in passenger activity. Before COVID-19, rental cars were already 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.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Rental car revenues, including customer facility charges ("CFCs") and rental car commissions decreased by 19.6% in fiscal year 2020 when compared to fiscal year 2019. In fiscal year 2019 rental car revenues remained flat at \$65.6 million. Rental car revenues represented the largest source of non-airline revenues in fiscal year 2020 at 15.4% 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 7 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. The negative effects of the pandemic have caused two of the rental car service providers to declare bankruptcy, with one of these providers in position to exit bankruptcy in the near future.

Parking revenues decreased by \$24.9 million or 46.8 % in fiscal year 2020, following an increase of \$0.8 million, or 1.6% in fiscal year 2019 compared to 2018. At 8.3% of total operating revenues for fiscal year 2020, the County-owned parking facilities at FLL are some 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) decreased by \$18.2 million or 40.7% in fiscal year 2020 versus 2019, and increased by \$4.2 million, or 10.4%, in fiscal year 2019, compared to fiscal year 2018. Concession revenues, which accounted for 7.8% of non-airline operating revenues in fiscal year 2020, decreased mainly due to a reduction in operations of food and beverage concessions as a direct result of the reduction in passenger traffic, which also caused some concourse closures. Within the category of concessions, food and beverage amounted to \$11.3 million (3.3%) of operating revenue, down \$9.7 million (46.2%) from fiscal year 2019. Retail including news and gift, specialty retail, and duty free amounted to \$6.9 million (2%) of fiscal year 2020 operating revenues, down \$2.5 million (32.0%) from the prior fiscal year. 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.

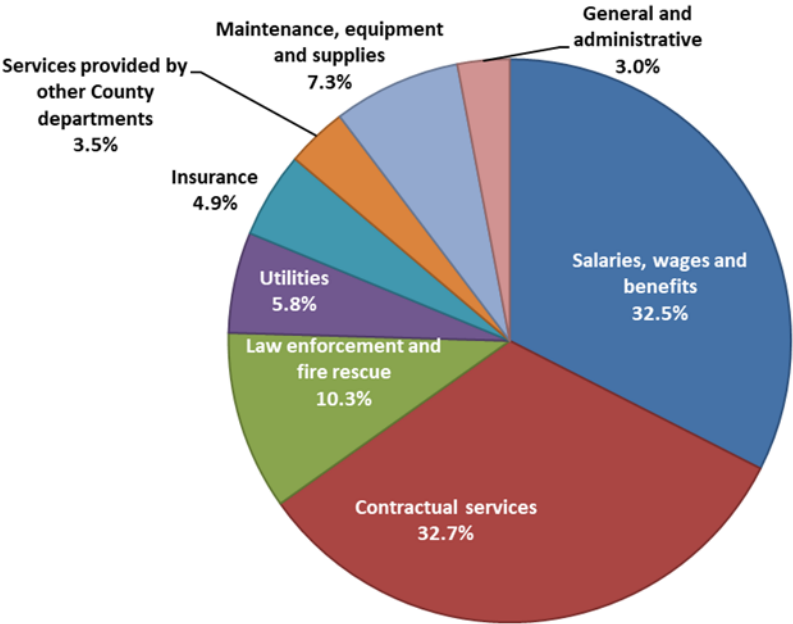
BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Expenses

The table below shows the major categories of operating expenses for the fiscal years ended September 30, 2020, 2019 and 2018 (in thousands):

Operating Expenses	Fiscal Years Ended September 30		
	2020	2019	2018
Salaries, wages and benefits	55,666	\$ 52,380	\$ 44,366
Contractual services	56,029	66,295	62,339
Law enforcement and fire rescue	17,589	34,125	31,625
Utilities	9,914	10,901	10,898
Insurance	8,459	7,355	5,115
Services provided by other County departments	5,983	5,649	5,194
Maintenance, equipment and supplies	12,570	14,050	11,012
General and administrative	5,132	5,937	5,292
Total Operating Expenses	\$ 171,342	\$ 196,692	\$ 175,841

The chart below shows the distribution of operating expenses, excluding depreciation, for the fiscal year 2020:



Overall operating expenses in fiscal year 2020 decreased by \$25.4 million or 12.9% compared to fiscal year 2019. The decrease is attributable to various factors within all the major expense categories.

Salaries, wages and benefits increased marginally by \$3.3 million, or 6.3%, in fiscal year 2020 from fiscal year 2019. In fiscal year 2019 salaries, wages and benefits increased by \$8.0 million, or 18.1%, from fiscal year 2018. Salaries, wages and benefits accounted for 32.5% of total operating expenses before depreciation in fiscal year 2020.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 decreased by \$10.3 million, or 15.5%, in fiscal year 2020 from fiscal year 2019 as a result of decreased ground transportation management fees and reductions in parking management, security, janitorial and shuttle services costs. The decreases in passenger activity resulted in these cost reductions.

Law enforcement and fire rescue expenses decreased \$16.5 million, or 48.5%, in fiscal year 2020 to \$17.6 million from \$34.1 million in fiscal year 2019. These expenses represented 10.3% of total operating expenses before depreciation in fiscal year 2020. In fiscal year 2020, under the provisions of the CARES Act, a portion of eligible law enforcement and fire rescue expense were transferred to the County's CARES Act Special Revenue fund. Law enforcement and fire rescue expenses increased \$2.5 million to \$34.1 million, or 7.9% in fiscal year 2019 in comparison to fiscal year 2018.

Utilities expenditure in fiscal year 2020 experienced a decrease of \$1.0 million or 9.1% compared to fiscal year 2019. These costs remained flat in fiscal year 2019 in comparison to 2018.

Insurance costs increased by \$1.1 million, or 15%, from fiscal year 2020 to fiscal year 2019, due to an increase in the insurance premiums. This category of expenditure increased by \$2.2 million, or 43.8%, from fiscal year 2018 to fiscal year 2019.

Services provided by other County departments increased by \$0.3 million, or 5.9%, in fiscal year 2020 from fiscal year 2019. The increase in services provided by other County departments is mainly attributable to the increased cost allocation chargebacks as a result of our larger share of records, general increases in public communications and purchasing as well as an increase in our capital purchasing documents. Services provided by other County departments increased by \$0.5 million, or 8.8%, in fiscal year 2019, which was due mainly to noise mitigation and construction claims as well as a credit card lawsuit.

Maintenance, equipment and supplies decreased by \$1.5 million, or 10.5%, from fiscal year 2020 to fiscal year 2019, mainly due to cost curtailments in response to decreased passenger traffic. Maintenance, equipment and supplies increased by \$3.0 million, or 27.6%, from fiscal year 2019 to fiscal year 2018 due to required additional services and supplies.

General and administrative services was reduced by \$0.8 million, or 13.6%, in fiscal year 2020, compared to fiscal year 2019, which, in turn, was \$0.6 million, or 12.2%, greater than fiscal year 2018. The decrease in fiscal year 2020 is mainly attributable to a reduction in credit card fees due to lower parking activity. The increase in fiscal year 2019 is mainly attributable to advertising and the increased rates from moving to a new internet provider.

Depreciation expense decreased \$1.8 million or 1.4% in fiscal year 2020 compared to prior year. The decrease was primarily the result of several assets having been fully depreciated in the prior year. There was an increase of \$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, were significantly higher in fiscal year 2020 than the previous year by \$75.7 million. This is mainly attributable to a \$76.4 million increase in federal grants, including the \$95.0 million received for CARES Act funding. There was also \$8.8 million recorded in other income primarily due to a refund of prior year expenditures related rebate and prepayment of costs paid to Broward County Building Code Services for \$5.4M and \$1.0M in FEMA proceeds for hurricane Wilma. There were also reductions of \$30.3 million in noise mitigation costs, as this program draws to a

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

close. Additionally interest expense was reduced by \$16.9 million as the new bond issuance refunded several outstanding bond series thus causing the decrease. These were negated slightly by decreases in both Passenger Facility Charges of \$36.2 million and \$5.0 million decrease in gains on disposal of capital assets. The issuance of the Series 2019 bonds in fiscal year 2020 generated bond issuance costs of \$6.2 million.

PFCs decreased \$36.2 million, or 48.4% in fiscal year 2020 compared to fiscal year 2019 due to decreased passenger numbers. In fiscal year 2019, PFCs increased \$1.8 million, or 2.5% compared to fiscal year 2018 due to improved passenger activity. 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 2020 were \$5.3 million higher at \$59.4 million compared to \$54.1 million in fiscal year 2019.

Grants contributing to airfield totaled \$50 million which related to the costs for North Runway Rehabilitation & South Runway Extension.

Capital Acquisition and Construction Activities

During fiscal year 2020 BCAD expended \$192.8 million on capital acquisitions and projects under construction, compared to \$242.9 million during fiscal year 2019. The amounts expended on capital acquisitions and major projects under construction during fiscal year 2020, are as follows (in thousands):

Capital Acquisitions and Projects under Construction during Fiscal Year 2020	
Noise Mitigation Avigation Easements relating to South Runway Expansion	\$ 3,787
Miscellaneous Capital Acquisitions <\$1 million	5,939
Projects Under Construction:	
Terminal Improvements	114,862
Airfield Projects	17,750
Terminal In-line Baggage Systems	17,434
Utilities Upgrades	1,952
Terminal Roadway	2,315
Terminal Connectors	7,500
Campus Wayfinding Plan	11,393
System Improvements	5,646
Airport Master Plan	1,361
Airport Noise Compatibility Planning	512
Parking Facility and System Improvements	621
Miscellaneous Projects < \$1 million	1,690
Total	\$ 192,762

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Major projects completed and the amounts transferred to fixed assets during fiscal year 2020, are as follows (in thousands):

Capital Projects Completed during Fiscal Year 2020	
North Runway	\$ 92,109
AIMS Phase II	\$ 6,979
Campus Wayfinding Plan	\$ 6,097
Utilities Upgrades	\$ 4,144
Miscellaneous Projects < \$1 million	\$ 3,791
Total	\$ 113,120

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

Debt Administration

As of September 30, 2020, 2019 and 2018, BCAD had \$2.5 billion, \$2.0 billion and \$2.1 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, 2020 (in thousands):

Airport System Revenue Bonds				
Bond Series	Outstanding Principal	Expected To Be Paid From		Final Maturity *
		PFCs/Grants	Airport Revenues	
2001 J-2	\$ 28,575	-	\$ 28,575	2021
2009 O	-		-	2029
2012 P-1	102,415		102,415	2026
2012 P-2	47,180	19,891	27,289	2026
2012 Q-1	240,610	240,610		2042
2012 Q-2	15,460		15,460	2042
2013 A	26,645		26,645	2043
2013 B	10,520		10,520	2043
2013 C	33,805	33,805		2043
2015 A	410,045		410,045	2045
2015 B	9,575		9,575	2045
2015 C	29,505	29,505		2025
2017	287,905		287,905	2047
2019A	435,060		435,060	2049
2019B	61,630		61,630	2029
2019C	719,935	412,019	307,916	2043
Total Bond Indebtedness	\$ 2,458,865	\$ 735,830	\$ 1,723,035	

* 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 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, \$39.2 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 2020.

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 inclusive of the fiscal year under review:

Debt Service Coverage	Fiscal Years Ended September 30		
	2020	2019	2018
Airport System Revenue Bonds *	1.33	1.72	1.38

* In previous reporting periods earned investment income included earned in eestment income held within Bond and Constructon Funds, and these have been excluded as of fiscal year 2020. Additionally, in previous reporting periods pension adjustments were excluded from current year operatiog expenses, and these have been included as of fiscal year 2020. Fiscal year 2019 and 2018 debt service coverage has been recalculated for the purposes of this table to align with the changes.

BCAD's Airport System Revenue Bonds are rated A (with negative outlook) by Standard and Poor's Ratings Services, A1 (with stable outlook) by Moody's Investors Service and A+ (with negative 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 6.2 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 7.0% in September 2020, compared to 3.4% for the same period in September 2019 and the state rate of 7.6% national rate of 7.9%. 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 2017 and 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 few 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 2020, similar to most airports in the U.S. and around the world, FLL was severely impacted by COVID-19. Passenger traffic began to decline in mid-March 2020 and by the end of April, was down 97% vs. April 2019. Due to the aggressive resumption of service by FLL's low cost and legacy carriers, passenger traffic steadily improved and was down only 60% by the end of fiscal year 2020.

According to Airports Council International, for FY 2020, FLL ranked 16th in total passenger traffic, 10th in international traffic, and most importantly, ranked 8th in the recovery of passenger traffic. During the fiscal year, FLL had an average of 262 daily departures to 86 cities in the US and 61 international destinations in 30 countries, compared to an average of 380 daily departures in FY 2019.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

In order to accommodate current and future anticipated growth, BCAD's capital program addresses need for modernization within the terminals, and improvements to the airfield and landside operations.

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 who are 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, 320 Terminal Drive, Suite 200, Fort Lauderdale, FL 33315.

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019
(in thousands)

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	\$ 158,667	\$ 33,128
Investments	71,243	183,692
Receivables		
Accounts receivable, net of allowance of \$5,138 and \$1,232 respectively	55,050	14,194
Interest receivable	371	939
Due from other county funds	3,329	-
Due from other governments	7,570	19,243
Inventories	1,980	452
Prepaid items	14,213	8,175
Total current unrestricted assets	<u>312,423</u>	<u>259,823</u>
Restricted Assets		
Cash and cash equivalents	209,409	240,890
Investments	120	-
Interest receivable	1,564	1,983
Total current restricted assets	<u>211,093</u>	<u>242,873</u>
Total current assets	<u>523,516</u>	<u>502,696</u>
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents	41,128	67,534
Investments	827,861	377,306
Passenger facility charges receivable	1,581	8,497
Due from other governments	2,667	34,976
Capital assets		
Non-depreciable	848,783	775,081
Depreciable, net of accumulated depreciation of \$1,223,669 and \$1,100,426 respectively	2,317,445	2,303,616
Total capital assets, net	<u>3,166,228</u>	<u>3,078,697</u>
Total noncurrent assets	<u>4,039,465</u>	<u>3,567,010</u>
TOTAL ASSETS	<u>\$ 4,562,981</u>	<u>\$ 4,069,706</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 52,222	\$ 983
Deferred outflows on other post-employment benefits	634	174
Deferred outflows on pensions	12,840	11,518
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 65,696</u>	<u>\$ 12,675</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF NET POSITION (continued)
SEPTEMBER 30, 2020 AND 2019
(in thousands)

LIABILITIES	<u>2020</u>	<u>2019</u>
Current Liabilities		
Payable from Unrestricted Assets		
Accounts payable	\$ 10,716	\$ 18,910
Accrued liabilities	6,891	3,291
Due to other County funds	4,941	12,138
Due to other governments	217	1,320
Deposits	5,334	6,212
Unearned revenue	6,886	62,646
Compensated absences	2,813	2,689
Total current liabilities payable from unrestricted assets	<u>37,798</u>	<u>107,206</u>
Payable from Restricted Assets		
Accounts payable	\$ 73,777	\$ 125,063
Accrued interest payable	53,221	50,571
Due to other County Funds	-	229
Revenue bonds payable	84,095	67,010
Total current liabilities payable from restricted assets	<u>211,093</u>	<u>242,873</u>
Total current liabilities	<u>248,891</u>	<u>350,079</u>
Noncurrent Liabilities		
Revenue bonds payable, including discounts and premiums	2,582,135	2,133,138
Compensated absences	3,596	3,099
Total other post-employment benefits liability	2,698	1,922
Net pension liability	37,188	29,215
Total noncurrent liabilities	<u>2,625,617</u>	<u>2,167,374</u>
TOTAL LIABILITIES	<u>\$ 2,874,508</u>	<u>\$ 2,517,453</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on other post-employment benefits	\$ 65	66
Deferred inflows on pensions	814	2,531
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 879</u>	<u>\$ 2,597</u>
NET POSITION		
Net investment in capital assets	1,059,547	979,509
Restricted for		
Debt service	295,809	261,005
Capital projects	154,724	190,343
Unrestricted	243,210	131,474
TOTAL NET POSITION	<u>\$ 1,753,290</u>	<u>\$ 1,562,331</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 30, 2020 AND 2019
(in thousands)

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Airline revenues	\$ 210,338	\$ 121,053
Rental cars	52,794	65,645
Parking	28,328	53,228
Concessions	26,569	44,797
General aviation and fixed based operators	8,316	7,575
Non-airline terminal rent and other rents	7,389	6,222
North Perry Airport	1,640	1,561
Cargo	1,879	2,066
Miscellaneous	5,323	3,994
Total operating revenues	<u>342,576</u>	<u>306,141</u>
Operating Expenses		
Salaries, wages and benefits	55,666	52,380
Contractual services	56,029	66,295
Law enforcement and fire rescue	17,589	34,125
Utilities	9,914	10,901
Insurance	8,459	7,355
Services provided by other County departments	5,983	5,649
Maintenance, equipment and supplies	12,570	14,050
General and administrative	5,132	5,937
Total operating expenses before depreciation	<u>171,342</u>	<u>196,692</u>
Operating Income before Depreciation	171,234	109,449
Depreciation	<u>124,245</u>	<u>126,073</u>
Operating Income (Loss)	<u>46,989</u>	<u>(16,624)</u>
Nonoperating Revenues (Expenses)		
Passenger facility charges	38,662	74,868
Federal grants	98,679	22,274
Interest and investment income	20,260	29,584
Interest expense	(75,093)	(91,991)
Bond issuance costs	(6,153)	-
Noise mitigation costs	(630)	(30,906)
Gain on disposal of capital assets	26	4,984
Other	8,810	1
Total nonoperating revenues (expenses)	<u>84,561</u>	<u>8,814</u>
Income (Loss) before Capital Contributions	<u>131,550</u>	<u>(7,810)</u>
Capital contributions	<u>59,409</u>	<u>54,141</u>
Change in Net Position	190,959	46,331
Total Net Position - Beginning of Period	<u>1,562,331</u>	<u>1,516,000</u>
Total Net Position - End of Period	<u>\$ 1,753,290</u>	<u>\$ 1,562,331</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(in thousands)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 241,717	\$ 320,033
Cash payments to suppliers for goods and services	(130,657)	(138,143)
Cash payments to employees for services	(49,493)	(47,747)
Other cash received	7,237	1
Other cash paid	-	(1,310)
Net cash provided by operating activities	<u>68,804</u>	<u>132,834</u>
Cash Flows from Noncapital Financing Activities		
Payment of noise mitigation costs	(630)	(36,352)
Nonoperating grants	98,679	25,607
Net cash provided by (used for) noncapital financing activities	<u>98,049</u>	<u>(10,745)</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of bonds	509,150	-
Payment to refunded bond escrow agent	(6,701)	-
Payment of bond issuance costs	(1,612)	-
Acquisition and construction of property, plant and equipment	(267,589)	(222,681)
Proceeds from sale of capital assets	26	10,605
Debt principal payment	(67,010)	(63,620)
Interest and fiscal charges	(97,455)	(102,832)
Capital contributions	103,391	27,300
Passenger facility charges received	45,578	73,326
Net cash provided by (used for) capital and related financing activities	<u>217,778</u>	<u>(277,902)</u>
Cash Flows from Investing Activities		
Purchase of investment securities	(1,815,834)	(1,048,034)
Proceeds from sale and maturities of investment securities	1,477,608	1,184,692
Interest and dividends on investments	21,247	28,602
Net cash (used for) provided by investing activities	<u>(316,979)</u>	<u>165,260</u>
Net Increase in Cash and Cash Equivalents	67,652	9,447
Cash and Cash Equivalents, Beginning of Period	<u>341,552</u>	<u>332,105</u>
Cash and Cash Equivalents, End of Period	<u>\$ 409,204</u>	<u>\$ 341,552</u>
Cash and Cash Equivalents - Unrestricted Assets	\$ 158,667	\$ 33,128
Cash and Cash Equivalents - Restricted Assets	250,537	308,424
	<u>\$ 409,204</u>	<u>\$ 341,552</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(in thousands)

	2020	2019
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 46,989	\$ (16,624)
Adjustments to reconcile operating income to cash flows from operating activities		
Depreciation expense	124,245	126,073
Other nonoperating revenues	7,237	(1,309)
(Increase) Decrease in assets and deferred outflows of resources		
Accounts receivable	(40,856)	5,001
Due from other County funds	(3,329)	-
Inventories	45	29
Prepaid items	(6,038)	(2,276)
Deferred outflows on other post-employment benefits	(460)	(120)
Deferred outflows on pensions	(1,322)	(148)
Increase (Decrease) in liabilities and deferred inflows of resources		
Accounts payable	(3,791)	1,738
Accrued liabilities	3,599	202
Due to other County funds	(7,426)	6,908
Due to other governments	(1,103)	70
Deposits	(878)	908
Unearned revenues	(55,760)	7,844
Compensated absences	621	382
Total other post employment benefits liability	776	189
Net pension liability	7,973	4,311
Deferred inflows on other post employment benefits	(1)	43
Deferred inflows on pensions	(1,717)	(387)
Net adjustments	21,815	149,458
Net cash provided by operating activities	\$ 68,804	\$ 132,834
 Noncash Investing, Capital and Financing Activities		
Amortization of bond discount and premiums	\$ (28,212)	\$ (9,257)
Amortization of deferred charge on refunding	3,199	106
Bond issuance costs deducted from bond proceeds	(4,417)	-
Issuance of refunding bonds to refund existing debt	795,168	-
Capital contributions	10,237	54,219
Capital assets acquired through current accounts payable	73,248	129,061
Change in fair value of investments	3,826	10,263

See notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 1: Summary of Significant Accounting Policies	27
Note 2: Deposits and Investments.....	32
Note 3: Restricted Assets.....	37
Note 4: Capital Assets.....	38
Note 5: Lease and Concession Agreements.....	39
Note 6: Airline-Airport Lease and Use Agreement	40
Note 7: Long-Term Obligations.....	40
Note 8: Capital Contributions	44
Note 9: Risk Management	44
Note 10: Other Postemployment Benefits (OPEB)	46
Note 11: Retirement Plans.....	50
Note 12: Transactions with Other County Departments	61
Note 13: Commitments and Contingent Liabilities	62
Note 14: Major Customers.....	63
Note 15: Subsequent Events.....	63

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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, 2020:

I. GASB Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance"

GASB Statement No. 95, provides temporary relief from certain new accounting and financial reporting requirements to governments in light of the COVID-19 pandemic. Statement No. 95 postponed the date by which BCAD must implement Statement No. 84 through No. 93, as well as Statement No. 83, which BCAD had previously implemented.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. 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 postemployment benefits, and pensions.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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 postemployment benefits are more fully disclosed in Note 1, Section O and Note 10 while pension activities are more fully disclosed in Note 1, Section P 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 postemployment benefits are more fully disclosed in Note 1, Section O, and Note 10 while those related to pension activities and are more fully disclosed in Note 1, Section P and Note 11.

K. 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.

L. 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.

M. 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 effective interest rate method. Bonds payable as reported include unamortized amounts of bond premiums or discounts.

N. 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.

O. 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 Statements of Net Position.

P. Pensions

In the Statements 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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Q. 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.

R. Capital Contributions

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

S. 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.

T. 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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

noise or reduce noise impacts resulting from an airport; or (3) furnish opportunities for enhance competition between or among carriers.

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 \$2,023,360,000, of which \$1,056,525,000 and \$1,008,588,000 has been collected as of September 30, 2020 and 2019, 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, 2020, \$917,335,000 of the collected PFCs had been spent on approved projects or debt service, and the remaining \$139,190,000, along with a PFC receivable of \$1,581,000 and interest receivable of \$454,000, is reflected in the net position restricted for capital 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.

U. 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, 2020 AND 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2020 and 2019, BCAD's deposits and investments consisted of the following (in thousands):

	September 30,	
	2020	2019
Cash Deposits	\$ 36,168	\$ 106,496
Investments:		
U.S. Treasuries	331,564	109,253
U.S. Agencies	626,251	429,628
Commercial Paper	8,301	4,469
World Bank	21,904	26,741
Money Market Mutual Funds	283,410	225,065
Sovereign Bond	830	898
Total Investments	<u>1,272,260</u>	<u>796,054</u>
Total Deposits, and Investments	<u>\$ 1,308,428</u>	<u>\$ 902,550</u>

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

	September 30,	
	2020	2019
Current Assets		
Cash and cash equivalents, unrestricted	\$ 157,410	\$ 33,128
Cash and cash equivalents, restricted	209,409	240,890
Investments, unrestricted	71,243	183,692
Investments, restricted	120	-
Noncurrent Assets		
Cash and cash equivalents, restricted	42,385	67,534
Investments, restricted	<u>827,861</u>	<u>377,306</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 1,308,428</u>	<u>\$ 902,550</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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The 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, 2020 and 2019, the portfolio weighted average maturity was 410 days and 566 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, 2020 AND 2019

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 has investments of \$106.6 million in the Federal Agricultural Mortgage Corporation, which are not rated. As of September 30, 2020, the County's investments were held in the County's name. The County's investments are rated as follows:

Rating Service	Investment Type	Rating	
		2020	2019
Standard & Poor's Rating Services	U.S. Treasuries	AA+	AA+
	U.S. Agencies	AA+	AA+
	Commercial Paper	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	A-1	A1
Fitch	Commercial Paper	F1+	F1 and F1+
	Sovereign Bonds	A+	

Concentration of Credit Risk - 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 requires that all investments be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer at the time of purchase. GASB Statement No. 40, "Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3" requires disclosure when 5% or more is invested in any one issuer.

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The investments under this disclosure are detailed below:

Portfolio	September 30	
	2020	2019
Federal Home Loan Bank	21.09%	20.39%
Federal Home Loan Mortgage Corporation	15.02%	14.97%
Federal Agricultural Mortgage Corporation	9.87%	0.00%
Federal National Mortgage Association	5.22%	16.16%
Federal Farm Credit Bank	6.32%	11.93%

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, 2020 AND 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

As of September 2020	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	\$ 331,564	\$ -	\$ 331,564
U.S. Agencies	626,251		626,251
Commercial Paper	8,301		8,301
World Bank	21,904		21,904
Sovereign Bonds	830		830
Total Debt Securities	<u>\$ 988,850</u>	<u>\$ -</u>	<u>\$ 988,850</u>
Money Market Mutual Funds	\$ 283,410	\$ 283,410	\$ -
Total Investments at Fair Value	<u>\$ 1,272,260</u>	<u>\$ 283,410</u>	<u>\$ 988,850</u>

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>

U.S. Treasury, U.S. Agencies, Commercial Paper, World Bank and Sovereign Bonds 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, 2020 AND 2019

NOTE 3 - RESTRICTED ASSETS

Restricted assets of BCAD at September 30, 2020 and 2019, 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. Grant proceeds are amounts received from the sale of assets that were originally acquired through a grant.

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

	September 30,	
	2020	2019
Bond reserve accounts	\$ 170,154	\$ 149,745
Debt service accounts	349,031	311,577
Passenger facility charges account	141,225	184,793
Bond construction accounts	410,421	79,522
Grant proceeds	13,499	5,549
	<u>\$ 1,084,330</u>	<u>\$ 731,186</u>

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

	September 30,	
	2020	2019
Current Restricted Assets		
Cash and cash equivalents	\$ 209,409	\$ 240,890
Investments	120	-
Other accounts receivable	1,564	1,983
Noncurrent Restricted Assets		
Cash and cash equivalents	41,128	67,534
Investments	827,861	377,306
Passenger facility charges receivable	1,581	8,497
Due from other governments	2,667	34,976
	<u>\$ 1,084,330</u>	<u>\$ 731,186</u>

**BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2020 and 2019, are as follows (in thousands):

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Capital assets not being depreciated:				
Construction in progress	\$ 379,101	\$ 183,035	\$ 113,120	\$ 449,016
Land and land improvements	395,282	3,787	-	399,069
Property held for leasing - land and land improvements	698			698
Total capital assets not being depreciated	<u>775,081</u>	<u>186,822</u>	<u>113,120</u>	<u>848,783</u>
Capital assets being depreciated:				
Buildings, facilities and other improvements	2,614,319	117,065		2,731,384
Property held for leasing - buildings, facilities and other improvements	713,483	4,303		717,786
Equipment	76,237	16,722	1,018	91,941
Total capital assets being depreciated	<u>3,404,039</u>	<u>138,090</u>	<u>1,018</u>	<u>3,541,111</u>
Less accumulated depreciation:				
Buildings, facilities and other improvements	816,783	95,616		912,399
Property held for leasing - buildings, facilities and other improvements	239,321	22,307		261,628
Equipment	44,319	6,322	1,002	49,639
Total accumulated depreciation	<u>1,100,423</u>	<u>124,245</u>	<u>1,002</u>	<u>1,223,666</u>
Total capital assets being depreciated, net	<u>2,303,616</u>	<u>13,845</u>	<u>16</u>	<u>2,317,445</u>
Total capital assets, net	<u>\$ 3,078,697</u>	<u>\$ 200,667</u>	<u>\$ 113,136</u>	<u>\$ 3,166,228</u>
	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>

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

NOTE 4 - CAPITAL ASSETS (Continued)

As of September 30, 2020, 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 \$717,786,000, totaling \$718,484,000, less accumulated depreciation of \$262,488,000 for a net book value of \$55,996,000.

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.

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, 2020 (in thousands):

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 146,470
2022	144,362
2023	142,014
2024	140,785
2025	139,170
2026-2030	377,352
2031-2035	70,508
2036-2040	20,195
2041-2045	5,888
2045-2050	2,910
2051-2053	602
Total Minimum Future Revenues	<u>\$ 1,190,256</u>

Minimum future revenues for fiscal years 2021 onwards are based on fiscal year 2021 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 \$40,600,000 and \$43,739,000 for the years ended September 30, 2020 and 2019, respectively.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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. Excess funds, if available, are recorded as unearned revenue by BCAD and have been included in current liabilities payable from unrestricted assets. For the years ended September 30, 2020 and 2019, these funds amounted to \$0 and \$57,822,000, respectively. If net revenues (operating revenues less operating expenses) are insufficient to fully fund all required deposits, the deficit can be remediated through a settlement invoice to the airlines and/or a recapture through the subsequent fiscal year’s rates. Due to the severe decline in fiscal year 2020’s net revenues as a result of the COVID pandemic, the signatory airlines have been assessed a settlement to remediate the funding of required deposits in the amount of \$37,400,000.

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended September 30, 2020 and 2019, are as follows (in thousands):

	Balance October 1, 2019	Additions	Deductions	Balance September 30, 2020	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds payable	\$ 2,027,095	\$ 1,216,625	\$ 784,855	\$ 2,458,865	\$ 84,095	\$ 2,374,770
Unamortized bond premiums and discount	173,053	87,693	53,381	207,365	-	207,365
Compensated absences	5,788	3,781	3,160	6,409	2,813	3,596
Total other post employment benefits liability	1,922	776	-	2,698	-	2,698
Net pension liability	29,215	7,973	-	37,188	-	37,188
Total	\$ 2,237,073	\$ 1,316,848	\$ 841,396	\$ 2,712,525	\$ 86,908	\$ 2,625,617
	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
Other post employment benefits	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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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, 2020 (in thousands)*:

Airport System Revenue Bonds	Primary Purpose	Type	Interest Payment		Optional (O) or Mandatory (M) Redemption *	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	\$ (46,885)	\$ 28,575
2009O	Refunding	Serial	2.0-5.0	4-1 & 10-1	O	2019	10/1/2020	29,395	(29,395)	-
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	(114,665)	102,415
2012P-2	Refunding	Serial	3.25-5.0	4-1 & 10-1	O	2022	10/1/2026	92,775	(45,595)	47,180
2012Q-1	Improvements	Serial	3.0-5.0	4-1 & 10-1	O	2022	10/1/2033	283,600	(275,010)	8,590
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	(51,800)	-
2012Q-2	Improvements	Term	5.0	4-1 & 10-1	M	2033	10/1/2042	53,910	(38,450)	15,460
2013A	Improvements	Serial	1.25-5.25	4-1 & 10-1	O	2023	10/1/2033	81,345	(81,345)	-
2013A	Improvements	Term	5.125-5.25	4-1 & 10-1	M	2034	10/1/2043	83,960	(57,315)	26,645
2013B	Improvements	Serial	2.00-5.50	4-1 & 10-1	O	2023	10/1/2033	27,395	(27,395)	-
2013B	Improvements	Term	5.00-5.25	4-1 & 10-1	M	2034	10/1/2043	28,005	(17,485)	10,520
2013C	Improvements	Serial	1.25-5.50	4-1 & 10-1	O	2023	10/1/2033	103,265	(103,265)	-
2013C	Improvements	Term	5.125-5.25	4-1 & 10-1	M	2034	10/1/2043	107,710	(73,905)	33,805
2015A	Improvements	Serial	2.0-5.0	4-1 & 10-1	O	2025	10/1/2037	248,120	(16,270)	231,850
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	(16,800)	29,505
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
2019A	Improvements	Serial	5.0	4-1 & 10-1	O	2029	10/1/2039	219,110		219,110
2019A	Improvements	Term	5.0	4-1 & 10-1	O	2029	10/1/2044	38,350		38,350
2019A	Improvements	Term	4.0	4-1 & 10-1	O	2029	10/1/2044	58,030		58,030
2019A	Improvements	Term	5.0	4-1 & 10-1	O	2029	10/1/2049	49,715		49,715
2019A	Improvements	Term	4.0	4-1 & 10-1	O	2029	10/1/2049	69,855		69,855
2019B	Refunding	Serial	5	4-1 & 10-1	M	2029	10/1/2029	61,630		61,630
2019C	Refunding	Serial	1.844-3.084	4-1 & 10-1	O	2029	10/1/2034	336,520		336,520
2019C	Refunding	Term	3.477	4-1 & 10-1	O	2029	10/1/2043	383,415		383,415
									\$ 2,458,865	

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 84,095	\$ 104,300	\$ 188,395
2022	90,655	99,865	190,520
2023	95,245	95,320	190,565
2024	99,660	90,679	190,339
2025	86,860	87,044	173,904
2026-2030	439,160	375,657	814,817
2031-2035	393,865	293,788	687,653
2036-2040	481,750	203,837	685,587
2041-2045	487,640	94,933	582,573
2046-2050	199,935	18,385	218,320
	<u>\$ 2,458,865</u>	<u>\$ 1,463,808</u>	<u>\$ 3,922,673</u>

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>2020</u>	<u>2019</u>
Current year revenues pledged	\$ 172,912	\$ 164,433
Current year debt service	\$ 102,935	\$ 94,087
Percentage of debt service to pledged revenues	59.5%	57.2%
Total future revenues pledged*	\$ 3,922,673	\$3,399,568
Passenger facility charge, grant and bond proceeds offset	<u>(1,057,774)</u>	<u>(1,176,062)</u>
Net future revenues pledged	<u>\$ 2,864,899</u>	<u>\$ 2,223,506</u>

*Total future pledged revenues are to repay principal and interest on a cash basis through fiscal year 2050.

On November 21, 2019, BCAD issued the Series 2019ABC Airport System Revenue bonds totaling \$1,304,318,000 (par value \$1,216,625,000).

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

The Series 2019A (AMT) bonds were issued with a par value of \$435,060,000 and interest rate ranging from 4.000% to 5.000%. The issuance included a premium of \$74,593,000 resulting in a true interest cost of 3.354%. 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 1.956%. 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 \$16,612,000 on a present value basis.

The Series 2019C (Taxable) refunding bonds were issued at par value of \$719,935,000 with interest rates ranging from 1.844% to 3.477%. The transaction resulted in a true interest cost of 3.255%. 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. The total amount advance refunded was \$642,740,000. This results in a Deferred Outflow in the amount of \$52,571,000 over 24 years. This will yield an economic gain of \$69,856,000 on a present value basis.

BCAD defeased certain debt by placing the proceeds of new bonds in irrevocable escrow accounts and invested in US Treasury obligations, that together with interest earned thereon, provide amounts sufficient for future payments of interest and principal on the bond issues being refunded. The refunded bonds are not included in BCAD's Statement of Net Position as a liability since BCAD has legally satisfied its obligations through the refunding transactions. The following is the summary of BCAD's outstanding defeased bonds (in thousands):

Year of Defeasance	Airport System Bond Issue Defeased	Principal Outstanding September 30
2019	Series 2012 P-1 (Partially Refunded)	\$ 33,740
2019	Series 2012 P-2 (Partially Refunded)	3,885
2019	Series 2012 Q-1 (Partially Refunded)	209,405
2019	Series 2012 Q-2 (Partially Refunded)	78,715
2019	Series 2013A (Partially Refunded)	121,960
2019	Series 2013B (Partially Refunded)	39,055
2019	Series 2013C (Partially Refunded)	155,980
		<u>\$ 642,740</u>

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

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):

	2020	2019
Federal Grants	\$ 34,236	\$ 43,474
State of Florida Grants	25,173	10,667
	\$ 59,409	\$ 54,141

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 \$322,000,000, 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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 9 – RISK MANAGEMENT (Continued)

Owner Controlled Insurance Program (OCIP) – This program ended 12/31/2019; however, a few claims liabilities still need to be resolved. Also, there are incurred but not reported (IBNR) responsibilities for all projects that were enrolled. There is a 10-year statute of repose and a 4-year statutory liability limit.

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.

Special Event Insurance – BCAD carries general liability coverage for all performing artists throughout the airport terminal which provides \$1,000,000 each occurrence coverage and \$2,000,000 in the aggregate on an annual basis.

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

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, 2020. 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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 10 – OTHER POSTEMPLOYMENT 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 471 and 461 OPEB active benefit eligible employees in the plan at September 30, 2020 and 2019, respectively. The County, excluding BSO, had 235 and 237 inactive employees who received benefit payments at September 30, 2020 and 2019, respectively, whereas the number of BCAD’s inactive employees is not available.

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:

	2020	2019
Healthcare inflation rate	2.60%	2.60%
Projected Salary Increases*	3.25%	3.25%
Source of Mortality Assumptions	Various PUB-2010 Generational Tables projected generationally using Scale MP-2019	Various RP-2000 Generational Tables projected generationally using Scale BB
Healthcare Cost Trend Rates	8.00% initial 4.50% - ultimate	8.00% initial 4.50% - ultimate
Discount Rate	2.41%	3.58%
Projected Cash flows	Pay as you go	Pay as you go
Municipal Bond rate	20- Year Tax Exempt General Obligation	20- Year Tax Exempt General Obligation
Bond Rate Basis	Average Rating of AA/Aa or higher	Average Rating of AA/Aa or higher
Actuarial valuation date	9/30/2020	9/30/2019
Measurement date	9/30/2020	9/30/2019
Actuarial cost method	Entry age	Entry age

*includes 2.6% general inflation rate for Broward County employees

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes to Total OPEB Liability and Related Ratio

As of September 30, 2020 the total OPEB Liability of \$2,698,000 and \$1,922,000 was determined by an actuarial valuation with the measurement date of September 30, 2020 and 2019, respectively.

Below are the details regarding BCAD's total OPEB liability for the period from October 1, 2019 to September 30, 2020 (in thousands):

Total OPEB Liability recognized at 10/1/19	\$	1,922
Changes for Fiscal Year:		
Service Cost		128
Interest		90
Difference between Actual and Expected Experience		266
Assumption changes		400
Benefit Payments		<u>(108)</u>
Net Change in total OPEB		<u>776</u>
Total OPEB Liability at 9/30/20	\$	<u><u>2,698</u></u>
Covered Employee Payroll	\$	28,205
Total as a percentage of Covered Employee Payroll		9.57%

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 10 - OTHER POSTEMPLOYMENT 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		<u>189</u>
Total OPEB Liability at 9/30/19	\$	<u><u>1,922</u></u>
Covered Employee Payroll	\$	24,647
Total as a percentage of Covered Employee Payroll		7.80%

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

The following presents the total BCAD OPEB liability as of September 30, 2020 and 2019, 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 (1.41 % and 2.58%, respectively) or 1 percentage point higher (3.41 % and 4.58%, respectively) than the current discount rate (in thousands):

		Current Discount Rate		
As of September 30, 2020	1% Decrease			1% Increase
Trend Rates	1.41%	2.41%		3.41%
OPEB Liability	\$ 3,443	\$ 2,698	\$	2,575

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

For the years ended September 30, 2020 and 2019, 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 7.00% to 3.50%, respectively) and 1 percentage point higher (9.00% to 5.50% and 9.00% to 5.50%, respectively) than the current healthcare cost trend rates (in thousands):

As of September 30, 2020	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	\$ 2,475	\$ 2,698	\$ 3,615

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

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

For the year ended September 30, 2020 and 2019, BCAD recognized OPEB expense of \$314,000 and \$162,000, respectively. At September 30, 2020 and 2019, BCAD reported deferred outflows and deferred inflows of resources related to OPEB for the following sources, respectively (in thousands):

As of September 30, 2020	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 348	\$ (39)
Change of assumptions or other inputs	286	(26)
Total	<u>\$ 634</u>	<u>\$ (65)</u>

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

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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>
2021	\$ 62
2022	62
2023	62
2024	62
2025	62
Thereafter	259
	<u>\$ 569</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 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

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

NOTE 11 – RETIREMENT PLANS (Continued)

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after 6 years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after 8 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 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%

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 11 – RETIREMENT PLANS (Continued)

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, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020, respectively, were as follows: Regular – 6.75% and 8.28%; Senior Management Service – 23.69% and 25.57%; Special Risk – 23.76% and 22.73%; and DROP participants – 12.94% and 15.32%. The employer contribution rates by job class for the periods July 1, 2018 through June 30, 2019 were as follows: Regular – 6.54%; Senior Management Service – 22.34%; Special Risk – 22.78%; and DROP participants – 12.37%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment. For the fiscal years ended September 30, 2020 and 2019, contributions, included employee contributions of \$715,000 and \$675,000 respectively, to the Pension Plan for BCAD totaled \$2,944,000 and \$2,746,000 respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2020 and 2019, BCAD reported liabilities of \$27,258,000 and \$20,570,000, 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, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 and 2019. BCAD's proportionate share of the County's net pension liability was based on its share of the County's 2019-2020 and 2018-2019 fiscal year contributions relative to the 2019-2020 and 2018-2019 fiscal year contributions of all participating members.

At June 30, 2020, the BCAD's proportionate share was 0.07209%. The proportionate share for the BCAD at June 30, 2020 as compared to June 30, 2019 was a decrease of 0.00105 percentage points. At June 30, 2019, BCAD's proportionate share was 0.07314%, which was an increase of 0.00619 percentage points from its proportionate share measured at June 30, 2018.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 11 – RETIREMENT PLANS (Continued)

For the fiscal years ended September 30, 2020 and 2019, BCAD recognized pension expense of \$6,685,000 and \$6,335,000, 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, 2020	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,196	
Change of assumptions	5,656	
Net difference between projected and actual earnings on Pension Plan investments	1,860	
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	638	(98)
Pension Plan contributions subsequent to the measurement date	784	
Total	<u>\$ 10,134</u>	<u>\$ (98)</u>

As of September 30, 2019	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	<u>\$ 9,268</u>	<u>\$ (1,592)</u>

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

NOTE 11 – RETIREMENT PLANS (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$784,000 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 ending September 30, 2021. 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>	
2021	\$ 1,897
2022	2,941
2023	2,531
2024	1,517
2025	366
Total	<u>\$ 9,252</u>

Actuarial Assumptions - The total pension liability in the July 1, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	6.80% in 2020 and 6.90% in 2019, net of pension plan investment expense, including inflation

Mortality rates were based on the RUB-2010 base table, projected generationally with Scale MP-2018 in 2020 and 2019.

The actuarial assumptions used in the July 1, 2020 and 2019 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, 2020 valuation were unchanged from those used in the prior valuation as of July 1, 2019 except for the investment return assumption which was decreased from 6.90% to 6.80%.

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, 2020 AND 2019

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%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
	<u>100.0%</u>			
Assumed Inflation - Mean			2.4%	1.7%

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

Discount Rate - The discount rate used to measure the total pension liability was 6.80% and 6.90% in 2020 and 2019, 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 ` share of the net pension liability calculated as of September 30, 2020 and 2019, using the discount rates of 6.80% and 6.90% 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 (5.80% and 5.90% respectively) or one percentage point higher (7.80% and 7.90%, respectively) than the current rate (in thousands):

As of September 30, 2020	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Proportional Share of the Net Pension Liability	\$43,527	\$27,258	\$13,671
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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 11 - RETIREMENT PLANS (Continued)

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, 2020 and 2019, BCAD reported payables in the amount of \$191,000 and \$166,000, respectively, for outstanding contributions to the Pension Plan required for the fiscal years ended September 30, 2020 and 2019.

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, 2020, 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, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020 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.

For the fiscal years ended September 30, 2020 and 2019, contributions to the HIS Plan for BCAD totaled \$572,000 and \$437,000 respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2020 and 2019, BCAD reported liabilities of \$9,929,000 and \$8,645,000, 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, 2020 and June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 and 2019. BCAD's proportionate share of the County's net pension liability was based on its share of the County's 2019-2020 and 2018-2019 fiscal year contributions relative to the 2019-2020 and 2018-2019 fiscal year contributions of all participating members. At June 30, 2020, BCAD's proportionate share was 0.09850%, which was an increase of 0.00002 percentage points from its proportionate share measured at June 30, 2019. At June 30, 2019, the 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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 11 - RETIREMENT PLANS (Continued)

For the fiscal years ended September 30, 2020 and 2019, BCAD recognized pension expense of \$1,145,000 and \$966,000 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, 2020	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 492	\$ (9)
Change of assumptions	1,292	(699)
Net difference between projected and actual earnings on Pension Plan investments	10	
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	760	(8)
Pension Plan contributions subsequent to the measurement date	152	
Total	<u>\$ 2,706</u>	<u>\$ (716)</u>

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	151	
Total	<u>\$ 2,250</u>	<u>\$ (939)</u>

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

NOTE 11 - RETIREMENT PLANS (Continued)

The deferred outflows of resources as of September 30, 2020 related to the HIS Plan, totaling \$152,000 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, 2021. 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>	
2021	\$ 465
2022	393
2023	217
2024	271
2023	274
Thereafter	218
Total	<u>\$ 1,838</u>

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2020 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities as of June 30, 2020. For fiscal year 2019 net pension liability was based on the June 30, 2018 valuation. The total pension liabilities as of June 30, 2020 and 2019, were determined using the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	2.21% in 2020 and 3.50% in 2019, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational PUB-2010 with Projection Scale BB-2018 tables for July 1, 2020 and the Generational RP-20000 with Projection Scale BB tables for July 1, 2019.

The actuarial assumptions that determined the total pension liability as of June 30, 2020 and 2019, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2020 and 2019 was 2.21% and 3.50%, 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.

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

NOTE 11 - RETIREMENT PLANS (Continued)

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, 2020 and 2019, using the discount rate of 2.21% and 3.50%, 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 (1.21% and 2.50% respectively) or one percentage point higher (3.21% and 4.50%, respectively) than the current rate (in thousands):

As of September 30, 2020

	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
Proportional Share of the Net Pension Liability	\$11,478	\$9,929	\$8,662

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

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, 2020 and 2019, BCAD reported payables in the amount of \$44,000 and \$34,000, respectively, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2020 and 2019.

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 11 - RETIREMENT PLANS (Continued)

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, 2020, 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 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 \$635,000 and \$650,000 for the fiscal years ended September 30, 2020 and 2019, respectively.

Payables to the Investment Plan - At September 30, 2020 and 2019, BCAD reported payables in the amount of \$57,000 and \$55,000, respectively, for outstanding contributions to the Investment Plan required for the fiscal years ended September 30, 2020 and 2019.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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, 2020 and 2019, and pension expense/adjustment for the fiscal years ended September 30, 2020 and 2019, 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Pension Plan	\$ (27,258)	\$ (20,570)	\$ 10,134	\$ 9,268	\$ (98)	\$ (1,592)	\$ 4,328	\$ 3,427
HIS Plan	(9,929)	(8,645)	2,706	2,250	(716)	(939)	\$ 605	347
Total	\$ (37,187)	\$ (29,215)	\$ 12,840	\$ 11,518	\$ (814)	\$ (2,531)	\$ 4,933	\$ 3,774

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 \$17,718,000 and \$17,854,000 for the years ended September 30, 2020 and 2019, 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, 2020 and 2019 totaled approximately \$2,352,000 and \$2,331,000, respectively.

BCAD contracts directly with the Broward County Sheriff's Office for security services at FLL. The cost of these services was approximately \$11,093,000 and \$21,654,000 for the years ended September 30, 2020 and 2019, 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 \$6,023,000 and \$11,966,000 for the years ended September 30, 2020 and 2019, respectively.

In fiscal year 2020, under the provisions of the CARES Act, a portion of eligible law enforcement and fire rescue expenses were transferred to the County's CARES Act Special Revenue fund. BCAD's share was applied against the cost of security services in the amount of \$11,196,000 and against fire-rescue services in the amount of \$5,904,000.

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, 2020 and 2019, was approximately \$29,000 and \$37,000, 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, 2020 and 2019, were approximately \$145,000 and \$185,000, respectively.

At September 30, 2020 and 2019, there was a receivable of \$3,329,000 from other County funds and departments and approximately \$4,941,000 and \$12,138,000, 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, 2020 AND 2019

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.

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. The County expects 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. For procedural reasons, the Plaintiff refiled the case in Florida State court, Broward Circuit Court. 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 BCAD's ability to pay debt service on the Series Bonds.

In October 2020, a lawsuit was filed by Archer Western Construction LLC against the County seeking damages allegedly arising out of contract work, extras and delays encountered during performance of the south runway project. Archer contends it is owed approximately \$10,000,000. The claims assessed by Archer are disputed by the County. The County Attorney's office has begun to investigate the legitimacy of the claims and whether any of them were timely and properly preserved pursuant to the terms of the contract. On December 11, 2020, County filed a Motion to dismiss challenging the legal sufficiency of the claims. The motion to dismiss is still pending and has not been set for hearing.

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. Additionally, recently the Florida Supreme court issued an opinion, in an unrelated case involving mass injuries and a public agency, concluding that with regard to the public agency and application of sovereign immunity and § 768.28, Fla. Stat. Ann., the incident was a single event. Meaning, Florida law would limit the County's exposure to the claims presented to \$200,000 per person but with a \$300,000 aggregate cap for the single event. Accordingly, any recovery from any resolution would not have a material adverse effect on the Airport System or BCAD's ability to pay debt service on the Series Bonds.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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, 2020, BCAD had in process various uncompleted construction projects with commitments totaling \$159,789,000. The retainage payable on construction contracts totaled \$37,307,000. Funding of these projects is made primarily through the proceeds of the related bond issues.

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	2020		2019	
JetBlue Airways	2,236,408	20.9%	4,295,418	23.7%
Spirit Airlines	2,843,786	26.6%	4,053,992	22.3%
Southwest Airlines	1,991,075	18.6%	3,671,169	20.2%
Delta Air Lines	990,027	9.3%	1,813,691	10.0%
United Airlines	650,414	6.1%	1,087,381	6.0%
American Airlines	721,922	6.8%	965,141	5.3%
Air Canada	257,644	2.4%	424,174	2.3%
Allegiant Air	292,550	2.7%	480,444	2.6%
Silver Airways	71,158	0.7%	182,444	1.0%
Others	628,628	5.9%	1,190,573	6.6%
Total Enplanements	<u>10,683,612</u>	<u>100.0%</u>	<u>18,164,427</u>	<u>100.0%</u>

NOTE 15 - SUBSEQUENT EVENTS

In October 2020 BCAD drew, received and posted revenue of \$39,275,000 for remaining FY2020 CARES Act proceeds.

BROWARD COUNTY AVIATION DEPARTMENT
 REQUIRED SUPPLEMENTARY INFORMATION
 Unaudited

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 128	\$ 102	\$ 90
Interest	90	86	68
Difference between Actual and Expected Experience	266	(58)	60
Assumptions Changes	400	160	(26)
Benefits Payments.	<u>(108)</u>	<u>(101)</u>	<u>(96)</u>
 Net Change in OPEB	 <u>776</u>	 <u>189</u>	 <u>96</u>
 Total OPEB Liability beginning	 \$ 1,922	 \$ 1,733	 \$ 1,636
Total OPEB Liability ending	<u>\$ 2,698</u>	<u>\$ 1,922</u>	<u>\$ 1,733</u>
 Covered Employee Payroll	 \$ 28,205	 \$ 24,647	 \$ 24,967
Total as a percentage of Covered Employee Payroll	9.57%	6.94%	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 information 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 Years¹
(in Thousands)**

	2020	2019	2018	2017	2016 ²	2015 ²	2014 ²
BCAD's proportion of the net pension liability (asset)	0.07209%	0.07314%	0.06695%	0.05398%	0.05222%	0.05442%	0.05484%
BCAD's proportionate share of the net pension liability (asset)	\$ 27,258	\$ 20,570	\$ 17,105	\$ 15,968	\$ 13,186	\$ 7,029	\$ 3,347
BCAD's covered payroll	\$ 26,446	\$ 26,446	\$ 23,848	\$ 20,343	\$ 17,906	\$ 16,898	\$ 16,706
BCAD's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	103.07%	77.78%	86.48%	78.48%	73.63%	41.60%	20.02%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.00%

¹The amounts presented for each fiscal year were determined as of June 30th

²Covered payroll for 2014 through 2016 was restated due to the implementation of GASB Statement No. 82.

**Schedule of Contributions
Florida Retirement System Pension Plan
Last Ten Fiscal Years¹
(in Thousands)**

	2020	2019	2018	2017	2016 ²	2015 ²	2014 ²
Contractually required contribution	\$ 2,229	\$ 2,068	\$ 1,796	\$ 1,463	\$ 1,268	\$ 1,195	\$ 1,157
Contributions in relation to the contractually required contribution	\$ (2,229)	\$ (2,068)	\$ (1,796)	\$ (1,463)	\$ (1,268)	\$ (1,195)	\$ (1,157)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCAD's covered payroll	\$ 26,541	\$ 26,342	\$ 23,967	\$ 20,806	\$ 18,749	\$ 16,890	\$ 16,695
Contributions as a percentage of covered payroll	8.40%	7.85%	7.50%	7.03%	6.76%	7.08%	6.93%

¹The amounts presented for each fiscal year were determined as of September 30th.

²Covered payroll for 2014 through 2016 was restated due to the implementation of GASB Statement No. 82.

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 Years¹
(in Thousands)**

	2020	2019	2018	2017	2016 ²	2015 ²	2014 ²
BCAD's proportion of the net pension liability (asset)	0.09850%	0.09848%	0.08922%	0.07018%	0.06900%	0.06779%	0.06807%
BCAD's proportionate share of the net pension liability (asset)	\$ 9,929	\$ 8,645	\$ 7,799	\$ 7,504	\$ 8,041	\$ 6,914	\$ 6,365
BCAD's covered payroll	\$ 34,177	\$ 32,912	\$ 29,820	\$ 25,059	\$ 17,906	\$ 20,604	\$ 20,260
BCAD's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	29.05%	26.27%	26.15%	29.95%	44.91%	33.56%	31.42%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

¹The amounts presented for each fiscal year were determined as of June 30th

²Covered payroll for 2014 through 2016 was restated due to the implementation of GASB Statement No. 82.

**Schedule of Contributions
Florida Retirement System Health Insurance Subsidy Plan
Last Ten Fiscal Years¹
(in Thousands)**

	2020	2019	2018	2017	2016 ²	2015 ²	2014 ²
Contractually required contribution	\$ 572	\$ 555	\$ 499	\$ 427	\$ 383	\$ 279	\$ 246
Contributions in relation to the contractually required contribution	\$ (572)	\$ (555)	\$ (499)	\$ (427)	\$ (383)	\$ (279)	\$ (246)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCAD's covered payroll	\$ 34,432	\$ 33,512	\$ 30,549	\$ 25,680	\$ 23,071	\$ 20,290	\$ 20,276
Contributions as a percentage of covered payroll	1.66%	1.66%	1.63%	1.66%	1.66%	1.38%	1.21%

¹The amounts presented for each fiscal year were determined as of September 30th.

²Covered payroll for 2014 through 2016 was restated due to the implementation of GASB Statement No. 82.

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, 2020 was decreased to 2.41% from 3.58%. 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, 2020 was decreased from 6.90% to 6.80%. 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, 2020 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 Net Revenue Bond and Debt Service Coverage Calculation
(in Thousands)

	2020	2019
Revenues	\$ 284,754	\$ 306,141
Interest income*	1,678	1,198
Current expenses**	(171,342)	(196,692)
Net revenues	115,090	110,647
Transfer from General Purposes Account	57,822	53,786
Net revenues and transfers available for debt service	\$ 172,912	\$ 164,433
Debt service		
Series 2001J-2 Bonds	\$ 15,782	\$ 15,783
Series 2009O Bonds	-	7,329
Series 2012P-1 Bonds	12,691	14,384
Series 2012P-2 Bonds	12,997	13,188
Series 2012Q-1 Bonds	21,603	32,070
Series 2012Q-2 Bonds	3,048	6,982
Series 2013A Bonds	4,634	10,991
Series 2013B Bonds	1,615	3,636
Series 2013C Bonds	5,875	14,092
Series 2015A Bonds	28,577	28,575
Series 2015B Bonds	479	479
Series 2015C Bonds	6,245	6,248
Series 2017 Bonds	18,975	-
Series 2019A Bonds	23,401	-
Series 2019B Bonds	4,499	-
Series 2019C Bonds	23,781	-
Passenger facility charge and grant offset	(53,825)	(57,970)
Total debt service	\$ 130,377	\$ 95,787
Debt service coverage	133%	172%
Required debt service coverage per bond resolution	125%	125%

* In previous reporting periods earned investment income included earned investment income held within Bond and Construction Funds, and these have been excluded as of fiscal year 2020. Previously, fiscal year 2019 earned investment income included interest income held in Bond and Construction Funds of \$18,123,000. Interest income excludes a net unrealized gain on investments of \$1,561,000 for fiscal year 2020 and a net unrealized gain on investments of \$8,130,000 for fiscal year 2019.

** In previous years current expenses excluded pension adjustments relating to GASB Statement No. 68. Previously excluded pension adjustments for fiscal year 2019 of \$3,774,000 have been added back into current expenses.

**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, 2020, and the related notes to the financial statements, which collectively comprise BCAD's basic financial statements, and have issued our report thereon dated April 13, 2021.

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) as a basis for designing 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 financial statements. 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
April 13, 2021