

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 7 - LONG-TERM LIABILITIES

Changes in long-term obligations for the years ended September 30, 2014 and 2013, are as follows (in thousands):

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds payable	\$ 1,181,220	\$ 431,680	\$ 43,945	\$ 1,568,955	\$ 42,580	\$ 1,526,375
Unamortized bond premiums and discount	94,007	17,349	5,402	105,954	-	105,954
Compensated absences	4,133	1,749	1,531	4,351	1,720	2,631
Other post employment benefits	922	184	88	1,018	-	1,018
Total	\$ 1,280,282	\$ 450,962	\$ 50,966	\$ 1,680,278	\$ 44,300	\$ 1,635,978

	Balance October 1, 2012 *	Additions	Deductions	Balance September 30, 2013	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds payable	\$ 1,203,525	\$ -	\$ 22,305	\$ 1,181,220	\$ 43,945	\$ 1,137,275
Unamortized bond premiums and discount	98,831	-	4,824	94,007	-	94,007
Compensated absences	4,371	1,343	1,581	4,133	1,644	2,489
Other post employment benefits	818	206	102	922	-	922
Total	\$ 1,307,545	\$ 1,549	\$ 28,812	\$ 1,280,282	\$ 45,589	\$ 1,234,693

* The October 1, 2012 beginning balance in the table above was restated due to the implementation of GASB Statement No. 65. This restatement reclassifies the unamortized deferred charge on refunding from liabilities to deferred outflows of resources in the Statement of Net Position.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 7 - LONG-TERM LIABILITIES (Continued)

The following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2014 (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	Year					
2001 J-2	Improvements	Serial	5.8-6.8	4/1 & 10/1	N/A	N/A	10/1/2015	\$ 73,725	\$ (54,545)	\$ 19,180
2001 J-2	Improvements	Term	6.9	4/1 & 10/1	M	2016	10/1/2021	75,460	-	75,460
2004 L	Improvements	Serial	3.0-5.0	4/1 & 10/1	O	2014	10/1/2027	142,015	(82,310)	59,705
2009 O	Refunding	Serial	2.0-5.0	4/1 & 10/1	O	2019	10/1/2020	29,395	(8,755)	20,640
2009 O	Refunding	Term	5.0-5.375	4/1 & 10/1	M	2021	10/1/2029	71,745	-	71,745
2012 P-1	Refunding	Serial	3.0-5.0	4/1 & 10/1	O	2022	10/1/2026	217,080	(31,905)	185,175
2012 P-2	Refunding	Serial	3.25-5.0	4/1 & 10/1	O	2022	10/1/2026	92,775	(700)	92,075
2012 Q-1	Improvements	Serial	3.0-5.0	4/1 & 10/1	O	2022	10/1/2033	283,600	(8,035)	275,565
2012 Q-1	Improvements	Term	4.0-5.0	4/1 & 10/1	M	2034	10/1/2042	232,020	-	232,020
2012 Q-2	Improvements	Serial	5.0	4/1 & 10/1	O	2022	10/1/2032	51,800	-	51,800
2012 Q-2	Improvements	Term	5.0	4/1 & 10/1	M	2033	10/1/2042	53,910	-	53,910
2013 A	Improvements	Serial	1.25-5.25	4-1 & 10-1	O	2023	10/1/2033	81,345	-	81,345
2013 A	Improvements	Term	5.125-5.25	4-1 & 10-1	M	2034	10/1/2043	83,960	-	83,960
2013 B	Improvements	Serial	2.00-5.50	4-1 & 10-1	O	2023	10/1/2033	27,395	-	27,395
2013 B	Improvements	Term	5.00-5.25	4-1 & 10-1	M	2034	10/1/2043	28,005	-	28,005
2013 C	Improvements	Serial	1.25-5.50	4-1 & 10-1	O	2023	10/1/2033	103,265	-	103,265
2013 C	Improvements	Term	5.125-5.25	4-1 & 10-1	M	2034	10/1/2043	107,710	-	107,710
<u>\$ 1,568,955</u>										

* The optional and mandatory redemptions are at par

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 42,580	\$ 77,449	\$ 120,029
2016	48,015	75,426	123,441
2017	50,400	72,984	123,384
2018	53,035	70,266	123,301
2019	55,835	67,367	123,202
2020-2024	322,375	288,557	610,932
2025-2029	290,085	207,765	497,850
2030-2034	205,310	147,101	352,411
2035-2039	237,835	95,041	332,876
2040-2044	263,485	29,903	293,388
	<u>\$ 1,568,955</u>	<u>\$ 1,131,859</u>	<u>\$ 2,700,814</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 7 - LONG-TERM LIABILITIES (Continued)

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. In accordance with Section 704(a) of the Bond Resolution, the debt service coverage for the fiscal year ended September 30, 2014, is as follows (in thousands):

Revenues	\$ 195,255
Interest income	3,986
Current expenses	<u>(128,591)</u>
Net revenues	70,650
Transfer from General Purposes Account	<u>24,352</u>
Current revenues pledged	<u><u>\$ 95,002</u></u>
Debt Service*	
Deposit to Principal Account	\$ 42,580
Deposit to Interest Account	77,007
Passenger facility charge and grant offset	<u>(53,471)</u>
Total debt service	<u><u>\$ 66,116</u></u>
Debt service coverage	144%
Required debt service coverage	125%
Percentage of debt service to pledged revenues	70%
Total future revenues pledged**	\$ 2,700,814
Passenger facility charge and grant offset	<u>(1,467,913)</u>
Net future revenues pledged	<u><u>\$ 1,232,901</u></u>

* Fiscal year 2014 revenues are pledged for 4/1/2014 and 10/1/2014 debt service payments.

**Total future pledged revenues are to repay principal and interest on a cash basis through fiscal year 2044.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 8 - BOND ISSUANCE

On October 23, 2013, BCAD issued \$165,305,000 in Airport System Revenue Bonds, Series 2013A (AMT) with interest rates ranging from 1.25% to 5.25%; \$55,400,000 in Airport System Revenue Bonds, Series 2013B (Non-AMT) with interest rates ranging from 2.00% to 5.50%; and \$210,975,000 in Airport System Revenue Bonds, Series 2013C (Non-AMT) with interest rates ranging from 1.25% to 5.50%, (the "Series 2013A-B-C Bonds") with a combined premium of \$17,349,000 resulting in a combined true interest rate of 4.88%. The Series 2013A-B-C Bonds were issued to provide funding for the South Runway Expansion Project and related airport improvement projects, fund the reserve account to satisfy the reserve requirements, and pay the underwriters' discount and certain other costs of issuance.

NOTE 9 - DEFEASED BONDS

BCAD has entered into a refunding transaction whereby refunding bonds were issued to facilitate the retirement of BCAD's obligation with respect to certain outstanding bond issues. The net proceeds of the refunding issue were placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payments of interest and principal on the bond issues being refunded. The refunded bonds are not included in the Statement of Net Position as a liability since BCAD has legally satisfied its obligations through the refunding process. The following is a summary of BCAD's outstanding defeased bonds (in thousands):

Year of Defeasance	Bond Issue Defeased	Principal Outstanding September 30, 2014
2012	Airport Revenue Bonds Series 2004 L (Partially Refunded)	\$ 40,900

NOTE 10 - CAPITAL CONTRIBUTIONS

Grants and other contributions used to acquire 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):

	2014	2013
Federal Grants	\$ 36,105	\$ 37,122
State of Florida Grants	55,446	24,103
	\$ 91,551	\$ 61,225

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 11 - RISK MANAGEMENT

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.

Workers' Compensation

BCAD participates in the County's self-insured Workers' Compensation Program, which provides coverage for up to a maximum of \$1,500,000 (Self-Insured Retention Limit) for each workers' compensation occurrence. In addition, the County has purchased excess workers' compensation coverage for losses above the self-insured retention limit in accordance with Florida State Statutes.

BCAD makes payments for the County's Self-Insurance Program to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year BCAD claims and to establish reserves for all BCAD losses. These actuarial estimates include the effects of specific, incremental claim adjustment expenses, salvage, subrogation, and other allocated claims adjustments. The reserves for the Self-Insurance Program are reported as a liability of the County's Self-Insurance Fund.

Other Insurance Coverage

BCAD also participates in other insurance policies purchased by the County, including Government Crime, Pollution Liability, Auto, Terrorism, Fine Arts coverage, and numerous smaller policies that are required by lease agreements, union contracts, State Statutes, etc. In addition, BCAD carries separate policies for airport owners and operators general liability insurance, property insurance, environmental liability insurance, and cyber liability insurance.

Property Insurance - BCAD has a dedicated, multi-carrier program involving several commercial insurance policies. The program provides coverage of \$125,000,000 in named windstorm limits, \$350,000,000 in earthquake coverage, \$25,000,000 for flood coverage, and \$500,000,000 for all other perils. The program has a \$250,000 deductible per occurrence for most losses with a separate deductible of \$25,000,000 for named windstorms and \$2,500,000 for all other windstorm/hail events. The flood insurance deductible is \$500,000 per occurrence.

Airport Owners and Operators General Liability Insurance - BCAD does not participate in the County's general liability program, electing instead to purchase its own general liability insurance through an agent in the commercial market. BCAD's general liability insurance provides limits of \$400,000,000 per occurrence and has no deductible. The coverage includes products-completed operations, war, hi-jacking, non-owned aircraft, and hangarkeepers liability (not in flight). Also included are excess employers liability (excluding disease) and excess automobile liability (off premises), both limited to \$50,000,000 per occurrence.

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 11 - RISK MANAGEMENT (Continued)

Cyber Liability Insurance - BCAD carries a cyber liability policy with limits of \$5,000,000 per occurrence and in the aggregate, with a per claim retention of \$50,000. BCAD is responsible for the first \$50,000 of each loss under this policy and extends coverage for information security, privacy liability, and includes crisis management expenses.

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

NOTE 12 - PENSION PLAN

BCAD, as a department of the County, participates in the Florida Retirement System (FRS), a cost-sharing, multiple-employer Public Employment Retirement System (PERS), which covers substantially all permanent, full- and part-time employees. The FRS provides retirement, death and disability benefits to plan members and beneficiaries. FRS offers a defined benefit plan (*Pension Plan*) or a defined contribution plan (*Investment Plan*). Benefits for both plans are established by Florida Statutes and may only be amended by the Florida Legislature.

The FRS issues an annual financial report. A copy can be obtained by sending a written request to the Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000 or by visiting their website at <http://dms.myflorida.com>.

Pension Plan benefits are computed on the basis of age, average final compensation and service credit. For employees initially enrolled in the *Pension Plan* on or after July 1, 2011, average final compensation is the average of the eight highest fiscal years of earnings compared with the average of the five highest years of earnings for those enrolled prior to July 1, 2011. The *Pension Plan* provides vesting of benefits after eight years of creditable service for employees initially enrolled in the *Pension Plan* on or after July 1, 2011, compared with a vesting period of six years for those enrolled prior to July 1, 2011. Members initially enrolled in the *Pension Plan* on or after July 1, 2011, are eligible for normal retirement if they are vested and age 65, or if they have 33 years of service, regardless of age. Members initially enrolled in the *Pension Plan* prior to July 1, 2011, are eligible for normal retirement if they are vested and age 62, or have 30 years of creditable service, regardless of age. Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year prior to normal retirement age or date.

The Deferred Retirement Option Program (DROP) is available under the *Pension Plan* when a member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in 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% if the effective DROP commencement date is on or after July 1, 2011, or an annual rate of 6.50% if the DROP commencement date is before July 1, 2011.

BCAD's required contribution rate to the *Pension Plan* is established by State Statute. Through June 30, 2014, rates ranged from 6.08% to 20.97% of covered payroll, based on employee risk groups. Effective July 1, 2014, rates ranged from 6.54% to 24.79% of covered payroll, based on employee risk groups. Effective July 1, 2011, the State legislature mandated a 3% employee contribution for all employees participating in the *Pension Plan*. Employees who were enrolled in the DROP before July 1, 2011, are not subject to the contribution.

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014 AND 2013

NOTE 12 - PENSION PLAN (Continued)

A summary of the covered payroll, contributions and percentage of covered payroll for the *Pension Plan* are as follows (in thousands):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Covered Payroll	\$ 19,529	\$ 18,842	\$ 17,910
Employer Contributions	\$ 1,404	\$ 1,076	\$ 895
Employer Contributions % of Covered Payroll	7.2%	5.7%	5.0%

BCAD's contribution to the *Pension Plan* for the current and two preceding years were equal to the required contributions for each year.

The *Investment Plan* is a participant-directed program selected by employees in lieu of participation in the defined benefit option of FRS. Benefits are accrued in individual accounts that are participant directed, portable, and funded by employer/employee contributions. The *Investment Plan* offers a diversified mix of investment options that span the risk-return spectrum and give participants opportunity to accumulate retirement benefits. The members are vested after one year of service. Benefits are based on the total value of the account at distribution. This amount is based on contributions, earnings or losses on those contributions, less expenses. BCAD's required contribution rate to the *Investment Plan* is established by State Statute. The required contribution rate as of September 30, 2014, remained the same as the prior year, and ranged from 3.55% to 4.93% of covered payroll, based on employee risk groups. Effective July 1, 2011, the State legislature mandated a 3% employee contribution for all employees participating in the *Investment Plan*. For the year ended September 30, 2014, BCAD contributed \$412,000 and employees contributed \$140,000, and for the year ended September 30, 2013, BCAD contributed \$297,000 and employees contributed \$156,000 to the *Investment Plan*.

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

BCAD, as a department of the County, participates in the County's single-employer, defined benefit healthcare plan. The plan allows its employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue separate financial reports.

Funding Policy and Annual OPEB Cost

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. The County's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits, which is called the Employer Contribution.

BCAD's annual OPEB cost for the plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions".

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The annual OPEB cost for BCAD for the 2014 and 2013 fiscal years, and the related information for the plan, is as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Required contributions rates:		
Employer	Pay as you go	Pay as you go
Plan members	N/A	N/A
Annual required contribution	\$ 190	\$ 207
Interest on net OPEB obligations	40	37
Adjustment to annual required contribution	<u>(46)</u>	<u>(38)</u>
Annual OPEB cost	184	206
Contributions made	<u>(88)</u>	<u>(102)</u>
Increase in net OPEB obligation	96	104
Net OPEB obligation - beginning of year	<u>922</u>	<u>818</u>
Net OPEB obligation - end of year	<u><u>\$ 1,018</u></u>	<u><u>\$ 922</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013 and 2012 for BCAD were as follows (in thousands):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB cost	\$ 184	\$ 206	\$ 189
Percentage of OPEB cost contributed	47.92%	49.61%	46.88%
Net OPEB obligation	\$ 1,018	\$ 922	\$ 818

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014 AND 2013

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

The funded status of the County's plan as of October 1, 2013, the date of the latest actuarial valuation, was as follows (in thousands):

Actuarial accrued liability	\$ 25,389
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	25,389
Funded ratio	0.00%
Covered payroll	\$ 242,246
Unfunded actuarial accrued liability as a percentage of covered payroll	10.48%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the County has not contributed assets to the plan at this time.

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 BCAD 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 and the actuarial value of assets.

Significant methods and assumptions were as follows:

Actuarial valuation date	10/1/2013
Actuarial cost method	Entry age
Amortization method	Level Percent, closed
Remaining amortization period	24 years
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return*	3.75%
Projected salary increases*	4.0% - 8.38%
Healthcare inflation rate	8.5% initial, 4.5% ultimate

*Includes 3% general inflation rate

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 14 - 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, Fleet Services and Print Shop Funds. The total cost for the above services was approximately \$11,701,000 and \$11,621,000 for the years ended September 30, 2014 and 2013, 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, 2014 and 2013, totaled approximately \$1,745,000 and \$1,523,000, respectively.

BCAD contracts directly with the Broward County Sheriff's Office for security services at FLL. The cost of these services was approximately \$16,053,000 and \$16,096,000 for the years ended September 30, 2014 and 2013, 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 \$9,537,000 and \$9,108,000 for the years ended September 30, 2014 and 2013, respectively.

The Port Everglades Fund, an enterprise fund of the County, reimburses BCAD for their allocation of maintenance costs for the landscaping on U.S. 1 at FLL. The amount invoiced for the years ended September 30, 2014 and 2013, was approximately \$16,000 and \$15,000, 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, 2014 and 2013, were approximately \$81,000 and \$76,000, respectively.

At September 30, 2014 and 2013, there was no receivable from other County funds and departments and approximately \$3,710,000 and \$5,478,000, respectively, was payable to other County funds for security and fire-rescue services and permits.

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

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 such audits.

At September 30, 2014, BCAD had in process various uncompleted construction projects with commitments totaling \$344,448,000. The retainage payable on these contracts totaled \$47,102,000. Funding of these projects is to be made primarily through the proceeds of the related bond issues.

BROWARD COUNTY AVIATION DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress - Other Post Employment Benefits
(in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2009	\$ -	\$ 40,098	\$ 40,098	- %	\$ 245,050	16.36%
10/1/2011	-	24,800	24,800	- %	231,302	10.72%
10/1/2013	-	25,389	25,389	- %	242,246	10.48%

This schedule shows the County's actuarial accrued liability (AAL). An estimated 7% of this liability can be attributed to BCAD.

**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 GOVERNMENT AUDITING STANDARDS**

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, as listed in the table of contents, the Broward County Aviation Department (the "Aviation Department"), an enterprise fund of Broward County, Florida, as of and for the year ended September 30, 2014, and have issued our report thereon dated February 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Aviation Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Aviation Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Aviation Department'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 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 over financial reporting 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 the Aviation Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

We noted certain other matters that we reported to management in a separate letter dated February 19, 2015.

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 Aviation Department'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 Aviation Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 19, 2015