



Broward County Aviation Department

A Major Fund of Broward County, Florida

Financial Statements

For the Years Ended September 30, 2016 and 2015

BROWARD COUNTY AVIATION DEPARTMENT
 FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

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, as of and for the years ended September 30, 2016 and 2015, and the related notes to the 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 audits to obtain reasonable assurance about whether the financial statements are free of 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, an enterprise fund of Broward County, as of September 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Enterprise Fund Presentation

As discussed in Note 1 to the financial statements, the financial statements present only BCAD and do not purport to, and do not, present the financial position of Broward County, Florida as of September 30, 2016 and 2015, the changes in its financial position, and 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 Schedule of Funding Progress – Other Post-Employment Benefits, and pension schedules, 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 audits 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017, on our consideration of BCAD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCAD's internal control over financial reporting and compliance.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 22, 2017

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, 2016 and 2015. 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 2016

- BCAD's assets and deferred outflows of resources exceeded liabilities and deferred inflows at the close of fiscal year 2016 by \$1.5 billion.
- Total revenue bonds payable were \$1.9 billion at September 30, 2016. The increase of \$381.3 million, or 25.0%, over fiscal year 2015 represents additional debt of \$482.2 million from a bond issuance in November 2015 less a repayment of debt of \$100.9 million during fiscal year 2016.
- Operating revenues were \$232.1 million in fiscal year 2016, which represents an 8.5% increase over fiscal year 2015, primarily due to an increase in the airline revenues as a result of an increase in enplanements and landed weights of 8.6% and 7.5%, respectively. There were also noteworthy increases in non-airline revenues, such as concessions, parking, and rental car revenues due to higher levels of passenger spending in addition to the increased activity levels.
- Operating expenses were \$141.9 million in fiscal year 2016, representing a 4.8% increase over fiscal year 2015. The increase is mainly due to increases in salaries, wages and benefits, and maintenance, equipment and supplies.
- Capital contributions were \$98.9 million in fiscal year 2016 and are comprised primarily of amounts received from the Federal Aviation Administration's (FAA), Florida Department of Transportation (FDOT) and Transportation Security Administration (TSA).
- Net position increased by \$102.7 million, or 7.4%, over fiscal year 2015.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Activity Highlights

Passenger enplanements at FLL increased by 8.6% during fiscal year 2016, resulting in another year of record levels of enplanements. The increase in enplanements in fiscal year 2015 over fiscal year 2014 was 9.9%. An increase in commercial aviation operations of 7.4%, an increase in cargo operations of 5.3% and an increase in general aviation operations of 14.3% resulted in an overall increase in aircraft operations in fiscal year 2016 of 7.5% compared with fiscal year 2015. Below is a comparative table of these activities by fiscal year:

Activity	Fiscal Years Ended September 30		
	2016	2015	2014
Enplanements	14,352,450	13,214,469	12,024,714
Landed weight (1,000 pounds)			
Passenger airlines	15,351,187	14,297,942	13,187,189
Cargo airlines	503,860	478,284	474,781
General aviation	485,391	424,794	384,047
Total landed weight	16,340,438	15,201,020	14,046,017
Aircraft operations	278,499	259,168	240,031

Airline Market Share and Passenger Enplanements

In fiscal year 2016, the ten Signatory Airlines represented 93.8% of enplanements, of which the top five airlines totaled 81.2% and with no carrier above 24.5%. This diversity reduces the reliance on the performance of one dominant airline.

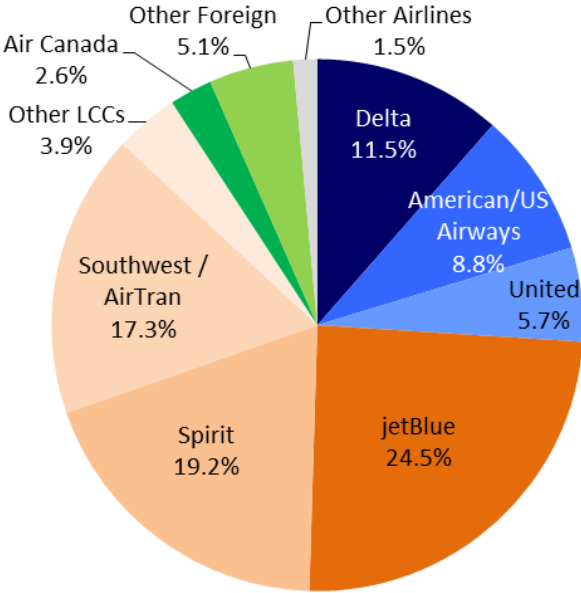
Passenger Enplanements	Fiscal Years Ended September 30					
	2016		2015		2014	
JetBlue Airways	3,514,272	24%	2,886,760	22%	2,456,902	20%
Spirit Airlines	2,749,666	19%	2,492,900	19%	2,233,434	19%
Southwest Airlines / Air Tran Airways*	2,478,315	17%	2,293,689	17%	2,200,005	18%
Delta Air Lines	1,644,358	11%	1,602,977	12%	1,519,218	13%
American Airlines, Inc. / US Airways**	1,267,733	9%	1,345,025	10%	1,359,659	11%
United Airlines	819,022	6%	770,579	6%	805,035	7%
Air Canada	373,573	3%	354,148	3%	319,700	3%
Allegiant Air	288,644	2%	168,598	1%	108,155	1%
Virgin America	177,535	1%	162,283	1%	167,413	1%
Silver Airways Corp	143,830	1%	160,634	1%	116,991	1%
Others	895,502	6%	976,876	7%	738,202	6%
Total Enplanements	14,352,450	100%	13,214,469	100%	12,024,714	100%

* Southwest Airlines and Air Tran Airways operated under two separate signatory agreements during fiscal year 2014

** American Airlines and US Airways operated under two separate signatory agreements during fiscal years 2014 and 2015

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Low Cost Carriers' (LCC) market share of enplanements (shaded in orange hues below) was 64.8% in fiscal year 2016, which represents an increase of 3.3 percentage points compared with fiscal year 2015 and a significant increase from the LCC's 39.9% market share ten years ago. There has also been a significant increase in international market share from 11.0% of total enplanements in fiscal year 2006 to 21.1% in fiscal year 2016.



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, and liabilities, 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, 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 other post-employment 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 and net position for the fiscal years ended September 30, 2016, 2015, and 2014 (in thousands):

Net Position			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Current and other assets	\$ 1,106,499	\$ 798,504	\$ 966,992
Capital assets, net	2,624,342	2,410,537	2,204,773
Total assets	3,730,841	3,209,041	3,171,765
Deferred outflow of resources	8,668	6,278	5,759
Liabilities			
Current liabilities	226,231	236,156	207,514
Noncurrent liabilities	2,029,395	1,596,538	1,645,690
Total liabilities	2,255,626	1,832,694	1,853,204
Deferred inflow of resources	531	1,970	5,845
Net investment in capital assets	979,295	949,462	926,489
Restricted	391,556	354,470	314,365
Unrestricted	112,501	76,723	77,621
Total Net Position	\$ 1,483,352	\$ 1,380,655	\$ 1,318,475

Total net position as of September 30, 2016, was \$1.5 billion, representing an increase of \$102.7 million, or 7.4% compared to 2015. Total net position as of September 30, 2015, was \$1.4 billion, representing an increase of \$62.2 million, or 4.7%, compared to 2014.

At September 30, 2016, 68.8% 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 airport. The restricted portion (25.7% at September 30, 2016), 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 (5.6% at September 30, 2016), may be used to meet any of BCAD's ongoing obligations.

Capital assets, net of depreciation increased by \$213.8 million, or 8.9%, from \$2.4 billion at September 30, 2015, to \$2.6 billion at September 30, 2016. This increase is mainly attributable to construction in progress relating to the new Concourses A and G and other major terminal projects. Capital assets, net of depreciation, increased by \$205.8 million, or 9.3%, during fiscal year 2015 mainly attributable to the South Runway Expansion and construction in progress relating to terminal projects.

BROWARD COUNTY AVIATION DEPARTMENT
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Current and other assets at September 30, 2016, totaled \$1.106 billion, representing an increase of \$308.0 million, or 38.6 %, compared to September 30, 2015, primarily due to unspent bond proceeds and an increase in bond reserves from bonds issued in November 2015 for the Terminal Projects and other major capital projects.

Other assets at September 30, 2015, totaled \$798.5 million, representing a decrease of \$168.5 million, or 17.4 %, compared to September 30, 2014, primarily due to a reduction in unspent bond proceeds as construction in progress on major projects continued.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 65, **deferred outflows and inflows of resources** are reported separately from assets and liabilities. BCAD has two 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 2014, offset by a gain on refunding from a bond refunding during fiscal year 2016 that is reported as a deferred outflow of resources. The decrease in the deferred charge on refunding of \$2.5 million during fiscal year 2016 relates to the gain on refunding from the 2016 bond refunding and amortization. The second item relates to deferred variances according to GASB Statement No. 68. These deferred variances can occur due to actuarial assumptions that differ between the actual pension plan experience and the original actuarial assumed rates. Differences can result from, among others, earnings on investments, changes in assumptions, and other experience gains or losses. A variance represents a gain or a loss, shown as deferred inflows of resources or deferred outflows of resources, respectively, in the statements of net position. These deferred outflows and inflows are amortized in accordance with the provisions of GASB Statement No. 68. Furthermore, employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources. Deferred outflows on pensions increased by \$4.9 million in fiscal year 2016 compared to fiscal year 2015 and deferred inflows on pensions decreased by \$1.4 million during the same period.

Current liabilities at September 30, 2016, are \$226.2 million representing a decrease of \$9.9 million, or 4.2%, over the prior year. This is attributable to a decrease in unearned revenues as excess revenues carried over from fiscal year 2015 were used in fiscal year 2016. Current liabilities increased \$28.8 million, or 13.9%, during fiscal year 2015 due to an increase in unearned revenues and accounts payable relating to capital projects.

Noncurrent liabilities increased by \$432.9 million, or 27.1%, during fiscal year 2016 due to the issue of the Series 2015A-B-C Bonds in November 2015. Noncurrent liabilities decreased by \$49.2 million, or 3.0%, during fiscal year 2015 compared to fiscal year 2014 due to the reduction in revenue bonds payable.

At September 30, 2016, there are \$147.6 million in unamortized bond premiums, net of unamortized bond discounts, primarily from the new money issues in fiscal years 2012, 2014 and 2016, and the refunding issues in fiscal years 2012 and 2016. At September 30, 2015, there were \$100.6 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, 2016, 2015, and 2014 (in thousands):

Summary of Revenues, Expenses and Changes in Net Position	Fiscal Years Ended September 30		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 232,076	\$ 213,940	\$ 194,448
Operating Expenses	141,890	135,406	127,935
Operating income before depreciation	90,186	78,534	66,513
Depreciation	87,777	67,908	60,052
Operating Income	2,409	10,626	6,461
Nonoperating Revenues (Expenses)	1,407	(10,555)	(7,984)
Capital Contributions	98,881	67,269	91,551
Transfer Out	-	(5,160)	-
Change in Net Position	102,697	62,180	90,028
Total Net Position - Beginning of Year, as Restated *	1,380,655	1,318,475	1,228,447
Total Net Position - End of Year	\$ 1,483,352	\$ 1,380,655	\$ 1,318,475

* The October 1, 2013 beginning balance in the table above was restated due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No 68*.

In fiscal year 2016, operating revenues increased by \$18.1 million, or 8.5%, while operating expenses increased \$6.5 million, or 4.8%, compared to the same period last year.

During fiscal year 2015, operating revenues increased by \$19.5 million, or 10.0%, while operating expenses increased \$7.5 million, or 5.8%, compared to fiscal year 2014.

Overall, BCAD's net position increased by \$102.7 million in fiscal year 2016 compared to an increase of \$62.2 million during fiscal year 2015. 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**

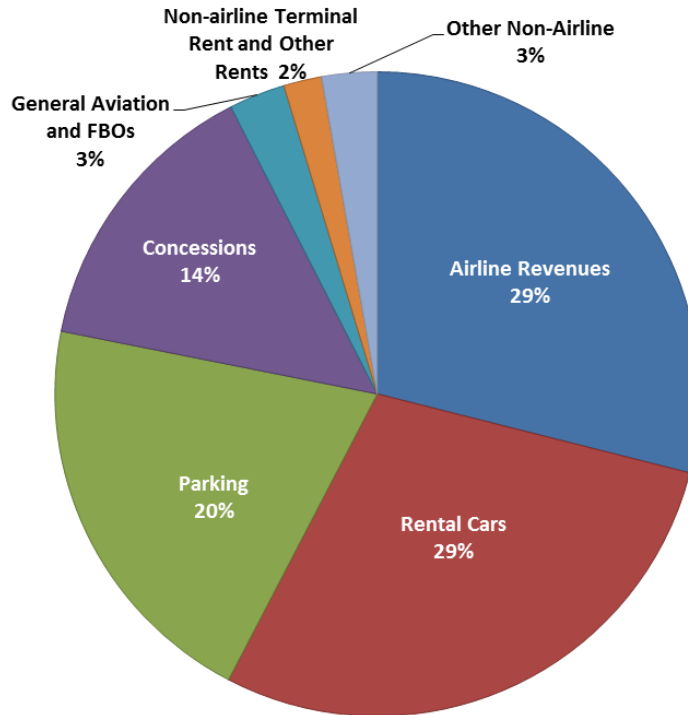
Operating Revenues

The major sources of operating revenues for the fiscal years ended September 30, 2016, 2015, and 2014 are (in thousands):

Operating Revenues	Fiscal Years Ended September 30		
	2016	2015	2014
Airline revenues	\$ 67,168	\$ 60,398	\$ 53,577
Rental cars	66,583	63,864	58,982
Parking	47,554	44,221	41,775
Concessions ¹	33,370	27,379	24,545
General aviation and fixed based operators	6,532	7,169	6,351
Non-airline terminal rent and other rents	4,448	4,851	3,927
North Perry Airport	1,343	1,259	1,276
Cargo	1,840	2,164	1,757
Miscellaneous operating revenues	3,238	2,635	2,258
Total Operating Revenues	\$ 232,076	\$ 213,940	\$ 194,448

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

Fiscal year 2016 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 \$6.8 million, or 11.2%, in fiscal year 2016, mainly due to excess revenues carried over from fiscal year 2015, as well as an increase in airline activity compared to the prior year. The airline rates and charges for fiscal year 2015 were set based on a conservative assumption of airline activity and as actual airline activity in fiscal year 2015 was much higher than anticipated, excess funds of \$16.8 million were generated to be used in future years. Airline revenues represented only 28.9% of overall operating revenues in fiscal year 2016, resulting in a favorable CPE of \$3.94 that is significantly below the industry average for a large hub airport.

Airline Cost per Enplanement (in thousands)	Fiscal Years Ended September 30		
	2016	2015	2014
Airline revenues	\$ 67,168	\$ 60,398	\$ 53,577
Take out: Airline revenue adjustment	(10,550)	16,767	807
Airline revenues, excluding revenue adjustment	\$ 56,618	\$ 77,165	\$ 54,384
Enplaned passengers	14,352,450	13,214,469	12,024,714
Average Cost Per Enplanement (CPE)	\$3.94	\$5.84	\$4.52

Airline revenues increased by \$6.8 million, or 12.7%, in fiscal year 2015, in accordance with the residual rate-making formula in the airline agreements, as well as an increase in the level of activity. Airline revenues represented 28.2% and 27.6% of overall operating revenues in fiscal years 2015 and 2014, respectively.

Non-airline revenues represented 71.1% of total operating revenues in fiscal year 2016. The main categories of non-airline revenues, rental car revenues, parking revenues, and concessions, have steadily been increasing over the last few years, due to increases in passenger activity and also increases in sales per passenger. This increase in non-airline revenues has contributed to the ability to maintain low terminal rents and landing fees that result in a low CPE. This low-cost structure makes the Airport attractive to air carriers, especially low-cost carriers.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Rental car revenues, including customer facility charges ("CFCs") and rental car commissions increased by \$4.9 million, or 8.3% in fiscal year 2016, and increased by \$2.9 million, or 5.1%, in fiscal year 2015 over the prior fiscal year. The increases are mainly attributable to an increase in visitors, especially international, to South Florida. Rental car revenues represented the largest source of revenues in fiscal year 2016 at 29.9% 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 the airport. BCAD has agreements with 12 rental car companies operating at the consolidated rental car facility located on airport property.

Parking revenues increased \$2.4 million, or 5.9% in fiscal year 2016, following an increase in fiscal year 2015 of \$1.0 million, or 2.5%, compared to fiscal year 2014. At 20.7% of operating revenues for fiscal year 2016, the County-owned parking facilities at the Airport are one of the largest sources of revenues other than payments by the airlines and rental car revenue. Despite the steady increases in recent years, parking revenues in fiscal year 2016 are still \$3.5 million below their peak of \$47.7 million in fiscal year 2008. The decrease since fiscal year 2008 is attributed to a significant increase in rates which encouraged passengers to seek alternative transportation to and from the airport during the economic downturn and a shift toward less expensive off-site airport parking. Also, 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 compete with several off-airport private parking operators that provide free shuttle service to their customers.

Concession revenues (excluding rental car commissions) increased by \$2.8 million, or 11.5%, in fiscal year 2016, compared to fiscal year 2015, and by \$900,000, or 4.0%, during fiscal year 2015, compared to the prior fiscal year. Concession revenues, which accounted for 12.8% of total operating revenues in fiscal year 2016, increased mainly due to improved concessions and the introduction of new food and beverage concessions. Within the category of concessions, food and beverage and news and gift concessions amounted to \$12.9 million (6.0%) and \$6.5 million (3.1%) of fiscal year 2016 operating revenues, respectively. 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**

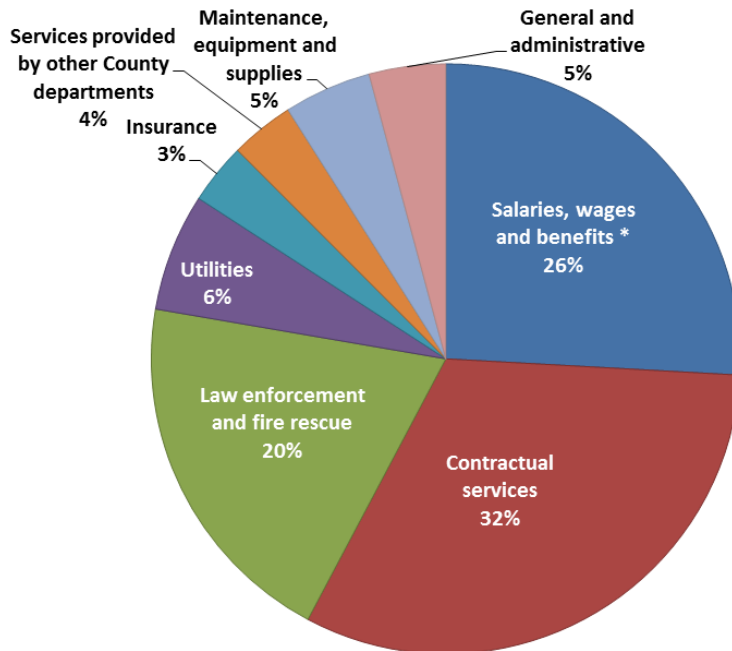
Operating Expenses

The table below shows the major categories of operating expenses for the fiscal years ended September 30, 2016, 2015, and 2014 (in thousands):

Operating Expenses	Fiscal Years Ended September 30		
	2016	2015	2014
Salaries, wages and benefits *	\$ 36,719	\$ 32,874	\$ 32,631
Contractual services	45,232	43,110	40,367
Law enforcement and fire rescue	28,300	27,619	25,590
Utilities	9,157	9,342	8,735
Insurance	4,744	4,774	4,950
Services provided by other County departments	4,964	5,075	6,162
Maintenance, equipment and supplies	6,817	6,051	3,406
General and administrative	5,957	6,561	6,094
Total Operating Expenses	\$ 141,890	\$ 135,406	\$ 127,935

*The Salaries, wages and benefits in the table above for the fiscal year ended September 30, 2014 was restated due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No 68*.

The chart below shows the distribution of operating expenses for the fiscal year 2016:



BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall operating expenses in fiscal year 2016 increased by \$6.5 million or 4.8% compared to fiscal year 2015. This increase is attributable to various factors within all the expense categories

Salaries, wages and benefits increased by \$3.8 million, or 11.7%, in fiscal year 2016 from fiscal year 2015 due to increased headcount, salary adjustments as a result of a compensation study, increased pension expenses and increased healthcare costs. Salaries, wages and benefits increased insignificantly \$243,000, or 0.7%, in fiscal year 2015 from fiscal year 2014. Salaries, wages and benefits accounted for 25.9% of total operating expenses before depreciation in fiscal year 2016.

Contractual services consist mainly of parking management fees, ground transportation management fees, janitorial and other maintenance contracts, and shuttle service costs. Contractual services increased by \$2.1 million, or 4.9%, in fiscal year 2016 from fiscal year 2015 as a result of increased parking management, janitorial and security costs.

Contractual services increased by \$2.7 million, or 6.8%, in fiscal year 2015 from fiscal year 2014 primarily as a result of increased parking management, shuttle service and security upgrades and maintenance fees.

Law enforcement and fire rescue expenses increased \$0.7 million, or 2.5% in fiscal year 2016 to \$28.3 million from \$27.6 million in fiscal year 2015. These expenses represented 19.9% of total operating expenses before depreciation in fiscal year 2016. Law enforcement and fire rescue expenses increased \$2.1 million, or 4.9% in fiscal year 2015 compared to fiscal year 2014. \$850,000 of this relates to law enforcement dispatch services that were reported under Services provided by other County departments in fiscal year 2014.

Utilities decreased by \$0.1 million, or 2.0%, in fiscal year 2016 to \$9.2 million from \$9.3 million in fiscal year 2015. The decrease is due to a reduction in electricity costs.

Services provided by other County departments decreased by \$111,000, or 2.2%, in fiscal year 2016 to \$5.0 million from \$5.1 million in fiscal year 2015. The decrease in services provided by other County departments is mainly attributable to services previously provided by other County departments now provided by BCAD. Services provided by other County departments decreased by \$1.1 million, or 17.6%, in fiscal year 2015 as law enforcement dispatch services, previously reported as services provided by other County departments in fiscal year 2014 were reported under law enforcement and fire rescue expenses in fiscal year 2015.

Maintenance, equipment and supplies increased by \$0.8 million, or 12.7%, from fiscal year 2015 to fiscal year 2016, mainly due to increased runway and grounds maintenance. Maintenance, equipment and supplies increased by \$2.6 million, or 77.7%, from fiscal year 2014 to fiscal year 2015 primarily due to a reclassification of expenses to maintenance, equipment and supplies from contractual services.

General and administrative services decreased by \$0.6 million, or 9.2%, in fiscal year 2016, compared to fiscal year 2015, which, in turn, was \$0.5 million, or 7.7%, higher than fiscal year 2014. The higher costs in fiscal year 2015 compared to both fiscal year 2016 and 2014 are primarily due to the costs associated with an airline incentive program and a new parking advertising campaign.

Depreciation

Depreciation expense increased \$19.9 million or 29.3% in fiscal year 2016 due to the completion of major capital projects relating to the airport's expansion/development program. Depreciation expense increased \$7.9 million, or 13.1%, in fiscal year 2015 compared to prior year due to the completion of other major capital projects.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-Operating Revenues (Expenses)

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, are higher in fiscal year 2016 than the prior year by \$11.9 million, or 113.3%. This is attributable to a capital asset donation of a navigational aid structure to the Federal Aviation Administration (FAA) of \$15.9 million in fiscal year 2015 compared to capital asset donation of an airport surveillance radar, also to the Federal Aviation Administration (FAA), of \$7.2 million in fiscal year 2016; an increase in PFC collections and an increase in interest income. These were partially offset by \$3.0 million in bond issuance costs in 2016.

Overall non-operating revenues, net of expenses, are lower in fiscal year 2016 than the prior year by \$2.6 million, or 32.2%. This is attributable to a capital asset donation of a navigational aid structure to the Federal Aviation Administration (FAA) of \$15.9 million, partially offset by \$3.6 million in interest income, the reduction of \$2.8 million in bond issuance costs, and an increase in PFC collections.

PFCs increased \$4.9 million, or 9.0% in fiscal year 2016 compared to fiscal year 2015 due to increased passenger numbers, which is also the reason for the \$5.7 million or 11.7% increase in fiscal year 2015 over the prior fiscal year. PFCs are authorized for collection at the Airport at \$4.50 per enplaning passenger and remitted to the Airport net of an \$0.11 collection charge retained by the airlines.

Capital Contributions

Capital contributions consist mainly of grants from Federal and State governments. During fiscal year 2015, \$98.9 million was earned, compared to 67.3 million in fiscal year 2015, mainly due to an increase in grants from the TSA to assist with the funding of in-line baggage handling systems in the terminals. Contributions were reduced in fiscal year 2015 by \$24.3 million or 26.5% compared to the prior year.

The FAA has approved through a Letter of Intent, approximately \$250 million of funding for the South Runway Expansion project and FDOT also authorized, through a multi-year agreement, approximately \$129 million of funding for the project. Both sources of funding will be available subject to annual limits through fiscal year 2022.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Acquisition and Construction Activities

During fiscal year 2016, BCAD expended \$308.9 million on capital acquisitions and projects under construction, compared to \$290.0 million during fiscal year 2015, mainly on the major terminal projects. The amounts expended (including capitalized interest) on capital acquisitions and major projects under construction during fiscal year 2016 are as follows (in thousands):

Capital Acquisitions and Projects under Construction during Fiscal Year 2016	
Capital Acquisitions:	
South Runway Expansion Project	\$ 36,226
Miscellaneous Acquisitions <\$1 million	1,589
Projects Under Construction:	
Terminal 1 Concourse A	61,222
Terminal 4 Concourse G	64,706
Terminal Improvements	53,753
Terminal In-line Baggage Systems	25,230
Noise Mitigation for South Runway Expansion	22,382
Terminal 4 Federal Inspection Facility	14,445
Terminal 4 Ramp	12,139
Parking Facility and System Improvements	1,468
Utilities Upgrades	2,772
Pedestrian Bridges	2,089
Miscellaneous Projects < \$1 million	10,883
Total	\$ 308,904

Major projects completed and the amounts transferred to fixed assets during fiscal year 2016 are as follows (in thousands):

Capital Projects Completed during Fiscal Year 2016	
Terminal 4 Concourse G	\$ 151,544
Terminal 4 Ramp	59,358
Terminal In-line Baggage Systems	53,809
Terminal Improvements	7,831
Utilities Upgrades	6,551
Airport Information Management System	2,489
Parking	2,460
Miscellaneous (Projects < \$1 million)	5,538
Total	\$ 289,580

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

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Administration

As of September 30, 2016, 2015, and 2014, BCAD had \$1.9 billion, \$1.5 billion and \$1.6 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.

On November 16, 2015, BCAD issued \$426,315,000 in Airport System Revenue Bonds, Series 2016A (AMT) with interest rates ranging from 2.00% to 5.00%, \$9,575,000 in Airport System Revenue Bonds, Series 2016B (Non-AMT) with an interest rate of 5.00%, and \$46,305,000 in Airport System Revenue Refunding Bonds, Series 2016C (AMT) with interest rates ranging from 2.00% to 5.00%, with a combined premium of \$56,813,000 resulting in a combined true interest rate of 4.01%. The Series 2016A and Series 2016B Bonds were issued to provide funding for terminal renovation and expansion projects and related airport improvement projects, fund the reserve account to satisfy the reserve requirements, and pay the underwriters' discount and certain other costs of issuance. The Series 2016C Bonds were issued to advance refund \$52,915,000 of Series 2004L Bonds, which had interest rates ranging from 4.00% to 5.00%.

The following table summarizes the outstanding bonded indebtedness as of September 30, 2016

(in thousands):

Airport System Revenue Bonds				
	<u>Outstanding Principal</u>	<u>Expected To Be Paid From</u>		<u>Final Maturity</u> *
		<u>PFCs/Grants</u>	<u>Airport Revenues</u>	
Bond Series				
2001 J-2	\$ 75,460	\$ -	\$ 75,460	2021
2009 O	87,160		87,160	2029
2012 P-1	163,260		163,260	2026
2012 P-2	88,840	37,455	51,385	2026
2012 Q-1	490,120	490,120		2042
2012 Q-2	102,235		102,235	2042
2013 A	160,225		160,225	2043
2013 B	53,620		53,620	2043
2013 C	204,525	204,525		2043
2015 A	426,315		426,315	2045
2015 B	9,575		9,575	2045
2015 C	46,305	46,305		2025
Total Bond Indebtedness	\$ 1,907,640	\$ 778,405	\$ 1,129,235	

* Calendar year

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

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, \$58.1 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 2016.

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

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

Debt Service Coverage	Fiscal Years Ended September 30		
	2016	2015	2014
Airport System Revenue Bonds	1.75	1.68	1.44

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

Economic Factors and Outlook

FLL is located in Broward County, which, together with neighboring Miami-Dade and Palm Beach counties, comprises the Miami-Fort Lauderdale-Pompano Beach Metropolitan Statistical Area (MSA) according to the U.S. Census Bureau. The MSA is the nation's eighth largest with a population of approximately 5.8 million residents.

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 recover from the recession. Broward County's unemployment rate was 4.6% in September 2016, compared to 4.9% for the same period in September 2015 and the national rate of 4.9%. However, as South Florida is a major tourist destination, the majority of FLL passengers are visitors to Broward County and South Florida. There were approximately 15 million visitors to Broward County in 2015. BCAD partners with the Convention and Visitors Bureau (CVB), Office of Economic Development (OED) and Airport Everglades on marketing and promotional activities.

FLL is one of the fastest growing Large Hub airports in the United States. As of September 30, 2016 there had been thirty consecutive months of growth in total passenger traffic. The last couple of years has seen a significant increase in international travel as international enplaned passengers grew by 16.5% and 30.45% in fiscal year 2016 and 2015, respectively. According to FAA 2015 calendar year data, FLL was ranked 21st in total passenger traffic in the United States and ranked 11th in total international traffic. The US Department of Transportation (DOT) data for the same period indicated that FLL ranked 14th in terms of domestic origin and destination passengers. The airport offers non-stop flights to 49 of its top 50 domestic markets. Also, with the exception of Hawaiian Airlines, all of the major domestic airlines provide service from FLL.

In order to accommodate current and future anticipated growth, BCAD's approximately \$2.4 billion ten-year capital improvement program is underway. The extended South Runway was opened in September 2014 and the west portion of Concourse G in Terminal Four, with five new gates, opened in December 2015. A new Concourse A in Terminal One, with five additional gates and international arrivals facilities, is scheduled to open in 2017 as is the majority of the east portion of Concourse G. All four existing terminals and the international arrivals facility in Terminal Four are being renovated. The South Runway extension increased the capacity for airfield operations by 44% by permitting simultaneous dual operations of air carrier aircraft of all sizes. The terminal renovations will include additional space, new interior finishes, a new concessions program, improvements to the ticketing lobbies, passenger security checkpoints, restrooms, passenger hold rooms, and baggage claim areas.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Request for Information

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

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2016 AND 2015
(in thousands)

ASSETS	2016	2015
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	\$ 49,527	\$ 29,631
Investments	106,343	105,910
Accounts receivable, net of allowance of \$371 and \$371, respectively	12,883	10,358
Due from other governments	4,723	990
Inventories	405	380
Prepaid items	7,137	7,025
Other accounts receivable	227	228
Total current unrestricted assets	<u>181,245</u>	<u>154,522</u>
Restricted Assets		
Cash and cash equivalents	174,908	175,374
Other accounts receivable	873	109
Total current restricted assets	<u>175,781</u>	<u>175,483</u>
Total current assets	<u>357,026</u>	<u>330,005</u>
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents	157,163	14,936
Investments	578,304	449,671
Passenger facility charges receivable	4,918	3,892
Due from other governments	9,088	-
Capital assets		
Land and improvements	363,371	363,365
Buildings and facilities	2,089,943	1,806,112
Property held for leasing	499,022	441,878
Equipment	42,730	40,638
Construction in progress	391,573	434,159
Total capital assets	<u>3,386,639</u>	<u>3,086,152</u>
Less accumulated depreciation	<u>(762,297)</u>	<u>(675,615)</u>
Total capital assets, net	<u>2,624,342</u>	<u>2,410,537</u>
Total noncurrent assets	<u>3,373,815</u>	<u>2,879,036</u>
TOTAL ASSETS	<u>\$ 3,730,841</u>	<u>\$ 3,209,041</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 1,301	\$ 3,806
Deferred outflows on pensions	7,367	2,472
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,668</u>	<u>\$ 6,278</u>

See accompanying notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
 STATEMENTS OF NET POSITION (Continued)
 SEPTEMBER 30, 2016 AND 2015
 (in thousands)

LIABILITIES	2016	2015
Current Liabilities		
Payable from Unrestricted Assets		
Accounts payable	\$ 9,033	\$ 8,422
Accrued liabilities	2,821	3,126
Due to other County funds	4,253	4,397
Due to other governments	1,193	1,301
Deposits	5,269	5,417
Unearned revenue	25,907	36,131
Compensated absences	1,974	1,879
Total current liabilities payable from unrestricted assets	<u>50,450</u>	<u>60,673</u>
Payable from Restricted Assets		
Accounts payable	86,817	89,193
Accrued interest payable	37,974	38,275
Revenue bonds payable	50,990	48,015
Total current liabilities payable from restricted assets	<u>175,781</u>	<u>175,483</u>
Total current liabilities	<u>226,231</u>	<u>236,156</u>
Noncurrent Liabilities		
Revenue bonds payable, net of discount and premiums	2,004,264	1,578,912
Compensated absences	2,708	2,573
Other post employment benefits	1,196	1,110
Net pension liability	21,227	13,943
Total noncurrent liabilities	<u>2,029,395</u>	<u>1,596,538</u>
TOTAL LIABILITIES	<u>\$ 2,255,626</u>	<u>\$ 1,832,694</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on pensions	<u>\$ 531</u>	<u>\$ 1,970</u>
NET POSITION		
Net investment in capital assets	979,295	949,462
Restricted for		
Debt service	251,818	211,068
Capital projects	139,738	143,402
Unrestricted	112,501	76,723
TOTAL NET POSITION	<u>\$ 1,483,352</u>	<u>\$ 1,380,655</u>

See accompanying notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(in thousands)

	2016	2015
Operating Revenues		
Airline revenues	\$ 67,168	\$ 60,398
Rental cars	66,583	63,864
Parking	47,554	44,221
Concessions	33,370	27,379
General aviation and fixed based operators	6,532	7,169
Non-airline terminal rent and other rents	4,448	4,851
North Perry Airport	1,343	1,259
Cargo	1,840	2,164
Miscellaneous	3,238	2,635
Total operating revenues	232,076	213,940
Operating Expenses		
Salaries, wages and benefits	36,719	32,874
Contractual services	45,232	43,110
Law enforcement and fire rescue	28,300	27,619
Utilities	9,157	9,342
Insurance	4,744	4,774
Services provided by other County departments	4,964	5,075
Maintenance, equipment and supplies	6,817	6,051
General and administrative	5,957	6,561
Total operating expenses before depreciation	141,890	135,406
Operating Income before Depreciation	90,186	78,534
Depreciation	87,777	67,908
Operating Income	2,409	10,626
Nonoperating Revenues (Expenses)		
Passenger facility charges	59,529	54,606
Interest income	6,893	6,906
Interest expense, net of capitalized interest	(54,926)	(56,129)
Bond issuance costs	(3,026)	-
Capital asset donation	(7,195)	(15,900)
Discontinued project cost	-	(122)
Gain on disposal of capital assets	105	210
Other	27	(126)
Total nonoperating revenues (expenses)	1,407	(10,555)
Profit (Loss) before Capital Contributions and Transfers	3,816	71
Capital contributions	98,881	67,269
Transfer out	-	(5,160)
	98,881	62,109
Change in Net Position	102,697	62,180
Total Net Position - Beginning of Year	1,380,655	1,318,475
Total Net Position - End of Year	\$ 1,483,352	\$ 1,380,655

See accompanying notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(in thousands)

	2016	2015
Cash Flows from Operating Activities		
Cash received from customers	\$ 219,054	\$ 228,074
Cash payments to suppliers for goods and services	(104,457)	(98,312)
Cash payments to employees for services	(36,214)	(33,107)
Other cash received	27	163
Other cash paid	-	(289)
Net cash provided by operating activities	78,410	96,529
Cash Flows from Noncapital Financing Activities		
Transfer out	-	(5,160)
Net cash used for noncapital financing activities	-	(5,160)
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of bonds	484,033	-
Proceeds from bond refunding	52,808	-
Payment to refunded bond escrow agent	(53,241)	-
Payment of bond issuance costs	(770)	(89)
Acquisition and construction of property, plant and equipment	(290,249)	(269,990)
Proceeds from sale of capital assets	106	217
Debt principal payment	(48,015)	(42,580)
Interest and fiscal charges	(83,052)	(77,448)
Capital contributions	86,060	86,460
Receipt of passenger facility charges	58,503	53,758
Net cash provided by (used for) capital and related financing activities	206,183	(249,672)
Cash Flows from Investing Activities		
Purchase of investment securities	(769,573)	(429,086)
Proceeds from sale and maturities of investment securities	640,507	579,033
Interest and dividends on investments	6,130	7,051
Net cash provided by (used for) investing activities	(122,936)	156,998
Net Increase (Decrease) in Cash and Cash Equivalents	161,657	(1,305)
Cash and Cash Equivalents, Beginning of Year	219,941	221,246
Cash and Cash Equivalents, End of Year	\$ 381,598	\$ 219,941
Cash and Cash Equivalents - Unrestricted Assets	\$ 49,527	\$ 29,631
Cash and Cash Equivalents - Restricted Assets	332,071	190,310
	\$ 381,598	\$ 219,941

See accompanying notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(in thousands)

	2016	2015
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 2,409	\$ 10,626
Adjustments to reconcile operating income to cash flows from operating activities		
Depreciation expense	87,777	67,908
Other nonoperating revenues (expenses)	27	(126)
(Increase) Decrease in assets and deferred outflows of resources		
Accounts receivable	(2,525)	(2,094)
Inventories	(25)	80
Prepaid items	(112)	201
Deferred outflows on pensions	(4,895)	(865)
Increase (Decrease) in liabilities and deferred inflows of resources		
Accounts payable	522	2,627
Accrued liabilities	(305)	(225)
Due to other County funds	(144)	687
Due to other governments	(108)	1,059
Deposits	(148)	142
Unearned revenues	(10,224)	15,960
Compensated absences	230	101
Other post employment benefits liability	86	92
Net pension liability	7,284	4,231
Deferred inflows on pensions	(1,439)	(3,875)
Net adjustments	76,001	85,903
Net cash provided by operating activities	\$ 78,410	\$ 96,529
 Noncash Investing, Capital and Financing Activities		
Amortization of bond discount and premiums	\$ (7,371)	\$ (5,402)
Amortization of deferred charge on refunding	126	346
Bond issuance costs deducted from bond proceeds	(2,167)	-
Capital contributions	13,811	990
Capital assets acquired through current accounts payable	86,817	89,193
Capital asset donation	(7,195)	(15,900)
Change in fair value of investments	423	3,000

See accompanying notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – TABLE OF CONTENTS
SEPTEMBER 30, 2016 AND 2015

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BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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.

Operating revenues and operating expenses are distinguished 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, 2016:

1. GASB Statement No. 72 "Fair Market Value Measurement and Application"

Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement requires a government to use valuation techniques which are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This Statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. This Statement also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The adoption of this Statement is reflected in Note 2.

2. *GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*

Statement No. 73 establishes requirements for defined benefit and defined contribution pension plans that are not within the scope of Statement No. 68 and also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68 for pension plans and pensions that are within their respective scopes. This Statement also clarifies the application of certain provisions of Statement No. 67 and No. 68 with regard to information that is required to be presented as notes to the ten year schedules of required supplementary information about investment related factors that significantly affect trends in the amounts reported, accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions and timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation. This Statement had no impact on BCADs financial statements.

3. *GASB Statement No. 76 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*

Statement No. 76 identifies the hierarchy of generally accepted accounting principles (GAAP) used to prepare financial statements of state and local governmental entities and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP. The first category of authoritative GAAP consists of GASB Statements. The second category consists of GASB Technical Bulletins and Implementation Guides, and literature of the American Institute of Certified Public Accountants (AICPA) cleared by the GASB. This Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement had no impact on the BCAD's financial statements.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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 balances of cash and investments. 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 as determined from quoted market prices.

E. 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 a question as to ultimate collectability. Receivables for BCAD are presented in the accompanying financial statements, net of an allowance for uncollectible accounts.

F. 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 projects.

G. 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.

H. 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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capitalized Interest

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by BCAD during the fiscal year ended September 30, 2016, was \$68,498,000 and, of this, \$13,572,000 was included as part of the cost of construction-in-progress (CIP). During the fiscal year ended September 30, 2015, total interest expense was \$71,496,000 and \$15,367,000 was included as part of the cost of CIP.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report 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 and pensions. 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 pension activities are more fully disclosed in Note 1, Section O 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 relate to pension activities and are more fully disclosed in Note 1, Section O 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 certain required deposits 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 deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions

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

P. 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 for general use 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.

Q. Capital Contributions

Capital contributions consist mainly of grants from Federal and State governments. These capital contributions are recognized as earned, as related project costs are incurred.

R. Passenger Facility Charges

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Through initial and subsequent FAA approvals, BCAD is currently authorized to collect PFCs up to \$1,882,637,000, of which \$794,054,000 has been collected as of September 30, 2016. 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, 2016, \$659,420,000 of the collected PFCs had been spent on approved projects or debt service, and the remaining \$134,634,000, along with a PFC receivable of \$4,918,000 and interest receivable of \$186,000, is reflected in the net position restricted for capital projects.

S. Reclassifications

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

T. 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 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, 2016 AND 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2016 and 2015, BCAD's deposits and investments consisted of the following (in thousands):

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Cash Deposits	\$ 80,453	\$ 29,483
Investments:		
U.S. Treasuries	94,558	135,829
U.S. Agencies	551,758	457,110
Commercial Paper	23,334	9,638
World Bank	14,997	3,103
Money Market Mutual Funds	301,145	140,359
Total Investments	<u>985,792</u>	<u>746,039</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 1,066,245</u>	<u>\$ 775,522</u>

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

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents, unrestricted	\$ 49,527	\$ 29,631
Cash and cash equivalents, restricted	174,908	175,374
Investments, unrestricted	106,343	105,910
Noncurrent Assets		
Cash and cash equivalents, restricted	157,163	14,936
Investments, restricted	578,304	449,671
Total Cash, Cash Equivalents and Investments	<u>\$ 1,066,245</u>	<u>\$ 775,522</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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 requiring public funds to be deposited in a qualified public depository pursuant to State Statutes. Under the State Statutes, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depositories' collateral pledging level. The pledging level may range from 25% to 150% depending upon the depositories' financial condition and establishment period. 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.

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 Investment Trust, 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, and certain money market funds, The County may also invest in collateralized mortgage obligations and reverse repurchase agreements 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, 2016, the portfolio weighted average maturity was 576 days and was in accordance with the County's investment policy.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk -The County's investment policy contains specific rating criteria for certain investments. The policy states that 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, if such obligations are rated, 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.

The County's investments in U.S. Treasuries and U.S. Agencies, except for investments in the Federal Agricultural Mortgage Corporation which are not rated, are rated AA+ by Standard & Poor's Rating Services and Aaa by Moody's Investors Services. The County's investments in commercial paper are rated A-1 and A-1+ by Standard & Poor's Rating Services and P-1 by Moody's Investors Service. The County's investments in World Bank notes are rated AAA by Standard & Poor's Rating Services and Aaa by Moody's Investors Service. The County's investments in the Money Market Mutual Funds are rated AAAm by Standard & Poor's Ratings Services and Aaa-mf by Moody's Investors Services.

Concentration of Credit Risk - The County places no limit on the amount that may be invested in securities of the U. S. Government and U.S. Agencies thereof, or government-sponsored corporation securities. The County requires that all other investments be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer. GASB Statement No. 40, "*Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*" requires disclosure when 5% or more is invested in any one issuer. The investment in the Federal Home Loan Bank is 17.52%, the Federal Home Loan Mortgage Corporation is 12.35%, the Federal National Mortgage Association is 22.46%, the Federal Farm Credit Bank is 9.73% and the Federal Agricultural Mortgage Corporation is 7.35%.

Fair Value Measurement - The County 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. The County does not have any investments that are categorized as Level 3.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

As of September 2016	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	<u>Total</u>	<u>Assets (Level 1)</u>	<u>Inputs (Level 2)</u>
Investments by Fair Value Level			
Debt Securities:			
U.S. Treasuries	\$ 94,558	\$ -	\$ 94,558
U.S. Agencies	551,758		551,758
Commercial Paper	23,334		23,334
World Bank	14,997		14,997
Total Debt Securities	<u>\$ 684,647</u>	<u>\$ -</u>	<u>\$ 684,647</u>
Money Market Mutual Funds	<u>\$ 301,145</u>	<u>\$ 301,145</u>	<u>\$ -</u>
Total Investments at Fair Value	<u><u>\$ 985,792</u></u>	<u><u>\$ 301,145</u></u>	<u><u>\$ 684,647</u></u>

As of September 2015	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	<u>Total</u>	<u>Assets (Level 1)</u>	<u>Inputs (Level 2)</u>
Investments by Fair Value Level			
Debt Securities:			
U.S. Treasuries	\$ 135,829	\$ -	\$ 135,829
U.S. Agencies	457,110		457,110
Commercial Paper	9,638		9,638
World Bank	3,103		3,103
Total Debt Securities	<u>\$ 605,680</u>	<u>\$ -</u>	<u>\$ 605,680</u>
Money Market Mutual Funds	<u>\$ 140,359</u>	<u>\$ 140,359</u>	<u>\$ -</u>
Total Investments at Fair Value	<u><u>\$ 746,039</u></u>	<u><u>\$ 140,359</u></u>	<u><u>\$ 605,680</u></u>

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

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

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

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016 AND 2015

NOTE 3 - RESTRICTED ASSETS

Restricted assets of BCAD at September 30, 2016 and 2015, 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 and regulatory requirements. The bond reserve accounts represents 125% of the average annual principal and interest requirements for all series of bonds secured by the reserve account. The debt service accounts contain the principal and interest amounts required for payment due on October 1 in addition to funds restricted for future debt service payments. The PFC account contains amounts collected and receivables, but unspent. The bond construction accounts include bond proceeds available for the design and construction of major capital projects.

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

	September 30,	
	2016	2015
Bond reserve accounts	\$ 126,322	\$ 96,725
Debt service accounts	289,792	249,343
Passenger facility charges account	139,738	143,403
Bond construction accounts	369,348	154,511
Grant proceeds	54	-
	<u>\$ 925,254</u>	<u>\$ 643,982</u>

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

	September 30,	
	2016	2015
Current Restricted Assets		
Cash and cash equivalents	\$ 174,908	\$ 175,374
Other accounts receivable	873	109
Noncurrent Restricted Assets		
Cash and cash equivalents	157,163	14,936
Investments	578,304	449,671
Passenger facility charges receivable	4,918	3,892
Due from other governments	9,088	-
	<u>\$ 925,254</u>	<u>\$ 643,982</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2016 and 2015, are as follows (in thousands):

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016
Capital assets not being depreciated:				
Construction in progress	\$ 434,159	\$ 254,317	\$ 296,903	\$ 391,573
Land and improvements	363,365	6		363,371
Total capital assets not being depreciated	<u>797,524</u>	<u>254,323</u>	<u>296,903</u>	<u>754,944</u>
Capital assets being depreciated:				
Buildings and facilities	1,806,112	283,831		\$ 2,089,943
Property held for leasing	441,878	57,144		\$ 499,022
Equipment	40,638	3,188	1,096	\$ 42,730
Total capital assets being depreciated	<u>2,288,628</u>	<u>344,163</u>	<u>1,096</u>	<u>2,631,695</u>
Less accumulated depreciation:				
Buildings and facilities	483,811	\$ 69,466		\$ 553,277
Property held for leasing	161,763	15,027		\$ 176,790
Equipment	30,041	3,284	\$ 1,095	\$ 32,230
Total accumulated depreciation	<u>675,615</u>	<u>87,777</u>	<u>1,095</u>	<u>762,297</u>
Total capital assets being depreciated, net	<u>1,613,013</u>	<u>256,386</u>	<u>1</u>	<u>1,869,398</u>
Total capital assets, net	<u>\$ 2,410,537</u>	<u>\$ 510,709</u>	<u>\$ 296,904</u>	<u>\$ 2,624,342</u>
	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
Capital assets not being depreciated:				
Construction in progress	\$ 899,556	\$ 265,268	\$ 730,665	\$ 434,159
Land and improvements	359,410	3,955	-	363,365
Total capital assets not being depreciated	<u>1,258,966</u>	<u>269,223</u>	<u>730,665</u>	<u>797,524</u>
Capital assets being depreciated:				
Buildings and facilities	1,075,618	730,552	58	1,806,112
Property held for leasing	441,831	47	-	441,878
Equipment	36,561	4,615	538	40,638
Total capital assets being depreciated	<u>1,554,010</u>	<u>735,214</u>	<u>596</u>	<u>2,288,628</u>
Less accumulated depreciation:				
Buildings and facilities	432,708	51,103	-	483,811
Property held for leasing	147,684	14,079	-	161,763
Equipment	27,811	2,726	496	30,041
Total accumulated depreciation	<u>608,203</u>	<u>67,908</u>	<u>496</u>	<u>675,615</u>
Total capital assets being depreciated, net	<u>945,807</u>	<u>667,306</u>	<u>100</u>	<u>1,613,013</u>
Total capital assets, net	<u>\$ 2,204,773</u>	<u>\$ 936,529</u>	<u>\$ 730,765</u>	<u>\$ 2,410,537</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 5 - LEASE AND CONCESSION AGREEMENTS

Property held for leasing consists of property leased under operating leases to commercial enterprises. 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, 2016 (in thousands):

<u>Fiscal Year</u>	<u>Amount</u>
2017	81,918
2018	79,065
2019	61,121
2020	54,790
2021	53,638
2022-2026	256,230
2027-2031	91,622
2032-2036	37,136
2037-2041	9,880
2042-2046	3,539
2047-2051	177
Total minimum future revenues	<u>\$ 729,116</u>

Minimum future revenues for fiscal years 2018 onwards are based on fiscal year 2017 established rates. Rates are subject to change on an annual basis effective October 1. Total minimum future revenues does not include revenues that may be received under certain concession leases on the basis of a percentage of the tenant's gross revenue in excess of stipulated minimum annual guarantees (MAGs). MAGs amounted to approximately \$43,406,000 and \$38,845,000 for the years ended September 30, 2016 and 2015, respectively.

NOTE 6 - AIRLINE-AIRPORT LEASE AND USE AGREEMENT

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

The agreements require that landing fees and terminal rentals be reviewed annually and adjusted, as necessary, so that the total revenue is sufficient to meet BCAD's requirements, as determined by the signatory airline agreements. At the end of the fiscal year, after all required deposits have been made, any remaining excess funds are used to meet the requirements in the following fiscal year. These excess funds have been recorded as unearned revenue by BCAD and have been included in current liabilities payable from unrestricted assets. For the years ended September 30, 2016 and 2015, these funds amounted to \$23,216,000 and \$33,766,000, respectively.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended September 30, 2016 and 2015, are as follows (in thousands):

	Balance October 1, 2015	Additions	Deductions	Balance September 30, 2016	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds payable	\$ 1,526,375	\$ 482,195	\$ 100,930	\$ 1,907,640	\$ 50,990	\$ 1,856,650
Unamortized bond premiums and discount	100,552	56,813	9,751	147,614	-	147,614
Compensated absences	4,452	2,056	1,826	4,682	1,974	2,708
Other post employment benefits	1,110	171	85	1,196	-	1,196
Net pension liability	13,943	7,284	-	21,227	-	21,227
Total	<u>\$ 1,646,432</u>	<u>\$ 548,519</u>	<u>\$ 112,592</u>	<u>\$ 2,082,359</u>	<u>\$ 52,964</u>	<u>\$ 2,029,395</u>

	Balance October 1, 2014	Additions	Deductions	Balance September 30, 2015	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds payable	\$ 1,568,955	\$ -	\$ 42,580	\$ 1,526,375	\$ 48,015	\$ 1,478,360
Unamortized bond premiums and discount	105,954	-	5,402	100,552	-	100,552
Compensated absences	4,351	1,940	1,839	4,452	1,879	2,573
Other post employment benefits	1,018	185	93	1,110	-	1,110
Net pension liability	9,712	4,231	-	13,943	-	13,943
Total	<u>\$ 1,689,990</u>	<u>\$ 6,356</u>	<u>\$ 49,914</u>	<u>\$ 1,646,432</u>	<u>\$ 49,894</u>	<u>\$ 1,596,538</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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, 2016 (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	Year				
2001 J-2	Improvements	Serial	5.8-6.8	4/1 & 10/1	N/A	N/A	10/1/2015	\$ 73,725	\$ (73,725)	\$ -
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	(142,015)	-
2009 O	Refunding	Serial	2.0-5.0	4/1 & 10/1	O	2019	10/1/2020	29,395	(13,980)	15,415
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	(53,820)	163,260
2012 P-2	Refunding	Serial	3.25-5.0	4/1 & 10/1	O	2022	10/1/2026	92,775	(3,935)	88,840
2012 Q-1	Improvements	Serial	3.0-5.0	4/1 & 10/1	O	2022	10/1/2033	283,600	(25,500)	258,100
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	(3,475)	48,325
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	(5,080)	76,265
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	(1,780)	25,615
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	(6,450)	96,815
2013 C	Improvements	Term	5.125-5.25	4/1 & 10/1	M	2034	10/1/2043	107,710	-	107,710
2015 A	Improvements	Serial	2.0-5.0	4/1 & 10/1	O	2025	10/1/2037	248,120	-	248,120
2015 A	Improvements	Term	5.0	4/1 & 10/1	M	2040	10/1/2040	61,990	-	61,990
2015 A	Improvements	Term	5.0	4/1 & 10/1	M	2045	10/1/2045	116,205	-	116,205
2015 B	Improvements	Term	5.0	4/1 & 10/1	O	2025	10/1/2045	9,575	-	9,575
2015 C	Refunding	Serial	2.0-5.0	4/1 & 10/1	M	2025	10/1/2025	46,305	-	46,305
<u>\$ 1,907,640</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>
2017	\$ 50,990	\$ 94,241	\$ 145,231
2018	53,840	91,551	145,391
2019	63,620	88,437	152,057
2020	67,010	85,008	152,018
2021	70,485	81,391	151,876
2022-2026	365,910	349,878	715,788
2027-2031	314,165	261,999	576,164
2032-2036	283,780	193,403	477,183
2037-2041	361,095	114,175	475,270
2042-2046	276,745	25,934	302,679
	<u>\$ 1,907,640</u>	<u>\$ 1,386,017</u>	<u>\$ 3,293,657</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 7 - LONG-TERM OBLIGATIONS (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 years ended September 30, 2016 and 2015, are as follows (in thousands):

	2016	2015
Revenues	\$ 232,076	\$ 213,940
Interest income*	6,470	3,906
Current expenses**	(140,939)	(135,915)
Net revenues	97,607	81,931
Transfer from General Purposes Account	23,216	33,766
Current revenues pledged	\$ 120,823	\$ 115,697
Debt Service***		
Deposit to Principal Account	\$ 51,294	\$ 48,015
Deposit to Interest Account	75,743	76,552
Passenger facility charge and grant offset	(58,082)	(55,696)
Total debt service	\$ 68,955	\$ 68,871
Debt service coverage	175%	168%
Required debt service coverage	125%	125%
Percentage of debt service to pledged revenues	57%	60%
Total future revenues pledged****	\$ 3,293,657	\$ 2,580,785
Passenger facility charge and grant offset	(1,348,241)	(1,414,074)
Net future revenues pledged	\$ 1,945,416	\$ 1,166,711

*Interest Income excludes net unrealized gains on investments of \$423,000 and \$3,000,000 for fiscal year 2016 and fiscal year 2015, respectively.

**Current expenses exclude pension adjustments relating to GASB Statement No. 68 of \$951,000 and \$(509,000) for fiscal year 2016 and fiscal year 2015, respectively.

*** Fiscal year 2016 revenues are pledged for 4/1/2016 and 10/1/2016 debt service payments and fiscal year 2015 revenues are pledged for 4/1/2015 and 10/1/2015 debt service payments.

****Total future pledged revenues are to repay principal and interest on a cash basis through fiscal year 2046.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 8 - BOND ISSUANCE

On November 16, 2015, BCAD issued \$426,315,000 in Airport System Revenue Bonds, Series 2016A (AMT) with interest rates ranging from 2.00% to 5.00%, \$9,575,000 in Airport System Revenue Bonds, Series 2016B (Non-AMT) with an interest rate of 5.00%, and \$46,305,000 in Airport System Revenue Refunding Bonds, Series 2016C (AMT) with interest rates ranging from 2.00% to 5.00%, with a combined premium of \$56,813,000 resulting in a combined true interest rate of 4.01%. The Series 2016A and Series 2016B Bonds were issued to provide funding for terminal renovation and expansion projects and related airport improvement projects, fund the reserve account to satisfy the reserve requirements, and pay the underwriters' discount and certain other costs of issuance. The Series 2016C Bonds were issued to advance refund \$52,915,000 of Series 2004L Bonds, which had interest rates ranging from 4.00% to 5.00%. The net proceeds of \$53,241,000 (consisting of the par amount of \$46,305,000, plus original issue premium of \$6,656,000, plus \$521,000 accumulated in the Debt Service Fund relating to the refunded bonds and after the payment of underwriting fees and other issuance costs of \$241,000), were deposited in an irrevocable trust with an escrow agent to provide funds for the debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position.

BCAD completed the advance refunding to reduce its total debt service payment over the next 12 years by \$10,459,000, which represents an economic gain (the difference between the present values of the old and new debt service payments) of \$8,335,000.

NOTE 9 - 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):

	2016	2015
Federal Grants	\$ 90,939	\$ 48,297
State of Florida Grants	7,942	18,972
	\$ 98,881	\$ 67,269

NOTE 10 - 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.

Self-Insurance Program

BCAD participates in the County's self-insured program, for its Workers' Compensation, Health Insurance, Auto Liability and General liability claims which are not covered under the airport owners and operators general liability, environmental liability, or cyber liability insurance policies that BCAD purchases.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 10 - RISK MANAGEMENT (Continued)

Workers' Compensation benefits are provided in accordance with Florida State Statutes by the County's Self-insurance fund up to a maximum of \$1,500,000 (Self-Insured Retention Limit) for each occurrence. BCAD is insured for losses above the self-insured retention limit by the County's purchased excess workers' compensation policy.

The Owner Controlled Insurance Program (OCIP) is a large deductible self-insurance program for County construction projects providing qualified participants with workers' compensation, general liability, and environmental insurance coverage. The program has a \$250,000 per occurrence deductible for workers' compensation and general liability claims and a \$25,000 deductible for environmental claims. BCAD participates in the OCIP program.

The County has entered into a contract with Humana to provide for employee health insurance through a self-insurance program with Humana as a third party payer. The County has also purchased stop-loss coverage for the group medical and pharmacy plan with a specific deductible of \$400,000.

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 BCAD claims and to establish reserves for all BCAD losses. The estimated liabilities for self-insured losses were determined by independent actuarial valuations performed as of September 30, 2016. 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 amount of payouts), and other economic and social factors.

Other Insurance Coverage

BCAD also participates in other insurance policies purchased by the County, including Government Crime, Pollution Liability, 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 owner's and operator's general liability insurance, property insurance, environmental liability insurance, and cyber liability insurance.

Property Insurance - BCAD has a property portfolio consisting of 40 individual structures comprising over \$1.2 billion in insurable values. The property insurance in place affords \$500,000,000 in coverage per occurrence with a deductible of \$250,000. Coverage for property losses emanating from "Terrorism" are covered up to \$350,000,000 per occurrence. Losses attributable to named windstorm are subject to a limit of \$125,000,000 per occurrence with a deductible of \$25,000,000. Flood losses are subject to a limit of \$25,000,000 per occurrence with a minimum deductible of \$500,000. BCAD's facilities are also covered under the Boiler and Machinery policy purchased for the County. This program provides \$200,000,000 of coverage with a \$250,000 deductible.

BCAD also insures the elevated section of the new runway for a limit of \$220,000,000, 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 owner's and operator's general liability insurance coverage limits of \$400,000,000 per occurrence with no deductible.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 10 - RISK MANAGEMENT (Continued)

Environmental Liability Insurance - BCAD carries an environmental liability insurance policy with coverage limits of \$10,000,000 per occurrence and \$20,000,000 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 \$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 and privacy breach response.

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

NOTE 11 - PENSION PLAN

RETIREMENT PLANS

Eligible BCAD employees 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, and death benefits to plan members and beneficiaries. The Florida Legislature establishes and may amend the contribution requirements and benefit terms of all FRS plans.

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

A. Pension Plan

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

The general classes of membership for BCAD are as follows:

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

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after six years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after eight years of creditable service.

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016 AND 2015

NOTE 11 - PENSION PLAN (Continued)

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. 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%. DROP participants with an effective DROP commencement date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50%.

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%

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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 11 - PENSION PLAN (Continued)

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, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively, were as follows: Regular - 5.56% and 5.80%, Senior Management Service – 19.73% and 20.05% and DROP participants 11.22% and 11.33%. The employer contribution rates by job class for the period from July 1, 2014 through June 30, 2015 were as follows: Regular - 6.07%, Senior Management Service – 19.84% and DROP participants 11.02%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment.

For the fiscal years ended September 30, 2016 and 2015, contributions, including employee contributions of \$614,000 and \$548,000 respectively, to the Pension Plan for BCAD totaled \$1,803,000 and \$1,736,000 respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016 and 2015, BCAD reported liabilities of \$13,186,000 and \$7,029,000, respectively, for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2016 and June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2016 and July 1, 2015. BCAD’s proportionate share of the net pension liability was based on its share of the County’s 2015-2016 and 2014-2015 fiscal year contributions relative to the 2015-2016 and 2014-2015 fiscal year contributions of all participating members. At June 30, 2016, the County’s proportionate share was 0.76293%, which was a decrease of 0.03506% from its proportionate share measured at June 30, 2015. At June 30, 2015, the County’s proportionate share was 0.79799%, which was a decrease of 0.00620% from its proportionate share measured at June 30, 2014.

For the fiscal years ended September 30, 2016 and 2015, BCAD recognized pension expense of \$1,842,000 and \$455,000, respectively. In addition, BCAD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
As of September 30, 2016		
Differences between expected and actual experience	\$ 1,014	\$ (123)
Change of assumptions	801	
Net difference between projected and actual earnings on Pension Plan investments	3,423	
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	275	(332)
Pension Plan contributions subsequent to the measurement date	391	
Total	\$ 5,904	\$ (455)

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 11 - PENSION PLAN (Continued)

As of September 30, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 742	\$ (167)
Change of assumptions	467	
Net difference between projected and actual earnings on Pension Plan investments		(1,678)
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	356	(56)
Pension Plan contributions subsequent to the measurement date	281	
Total	\$ 1,846	\$ (1,901)

The deferred outflows of resources related to the Pension Plan, totaling \$391,000 for BCAD, resulting from contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. 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>	
2017	\$ 724
2018	724
2019	2,059
2020	1,357
2021	149
Thereafter	45
Total	\$ 5,058

Actuarial Assumptions - The total pension liabilities as of June 30, 2016 and 2015 in the actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	7.60% in 2016 and 7.65% in 2015, net of pension plan investment expense, including inflation

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 11 - PENSION PLAN (Continued)

The actuarial assumptions used in the July 1, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013. The assumptions used in the July 1, 2016 valuation were unchanged from those used in the prior valuation as of July 1, 2015 with two exceptions; 1) the investment return assumption was decreased from 7.65% to 7.60%; and 2) the mortality assumption applied to members while in FRS covered employment, was updated to better anticipate expected future experience.

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. 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:

As of September 30, 2016 Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.70%
Fixed Income	18.00%	4.70%	4.60%	4.60%
Global Equity	53.00%	8.10%	6.80%	17.20%
Real Estate (Property)	10.00%	6.40%	5.80%	12.00%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	12.00%	6.10%	5.60%	11.10%
	<u>100.00%</u>			

Assumed Inflation - Mean	2.60%		1.90%
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As of September 30, 2015 Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual	Standard Deviation
Cash	1.00%	3.20%	3.10%	1.70%
Fixed Income	18.00%	4.80%	4.70%	7.00%
Global Equity	53.00%	8.50%	7.20%	17.70%
Real Estate (Property)	10.00%	6.80%	6.20%	12.00%
Private Equity	6.00%	11.90%	8.20%	30.00%
Strategic Investments	12.00%	6.70%	6.10%	11.40%
	<u>100.00%</u>			

Assumed Inflation - Mean	2.60%		1.90%
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*As outlined in the Pension Plan's investment policy.

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016 AND 2015

NOTE 11 - PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2016 and 2015 was 7.60% and 7.65% respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. In 2016, the rate of return assumption is a prescribed assumption as defined by the Actuarial Standards of Practice No. 27 (ASOP 27) and the 7.60% assumption was adopted by the 2016 FRS Actuarial Assumption Conference.

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 using the discount rates of 7.60% and 7.65% 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 (6.60% and 6.65%) or one percentage point higher (8.60% and 8.65%) than the current rate (in thousands):

As of September 30, 2016	<u>1% Decrease 6.60%</u>	<u>Current Discount Rate 7.60%</u>	<u>1% Increase 8.60%</u>
Proportional Share of the Net Pension Liability	\$24,234	\$13,186	\$3,989
As of September 30, 2015	<u>1% Decrease 6.65%</u>	<u>Current Discount Rate 7.65%</u>	<u>1% Increase 8.65%</u>
Proportional Share of the Net Pension Liability	\$18,214	\$7,029	(\$2,279)

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, 2016 and 2015, BCAD reported payables in the amount of \$142,000 and \$93,000, respectively, for outstanding contributions to the Pension Plan required for the fiscal years ended September 30, 2016 and 2015.

B. HIS Plan

Plan Description - The HIS Plan is a 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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 11 - PENSION PLAN (Continued)

Benefits Provided - For the fiscal year ended September 30, 2016, 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. Employer contributions are a percentage of gross compensation for all active FRS members. The employer contribution rates for the periods from July 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2016 were 1.26% 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 appropriation 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, 2016 and 2015, contributions to the HIS Plan for BCAD totaled \$340,000 and \$230,000 respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016 and 2015, BCAD reported liabilities of \$8,041,000 and \$6,914,000, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The net pension liability measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. Liabilities originally calculated as of the July 1, 2014 actuarial valuation date have been recalculated as of June 30, 2015 using a standard actuarial roll-forward technique. BCAD's proportionate share of the net pension liability was based on its share of the County's 2015-2016 and 2014-2015 fiscal year contributions relative to the 2015-2016 and 2014-2015 fiscal year contributions of all participating members. At June 30, 2016, the County's proportionate share was 1.01065% which was an increase of 0.01660% from its proportionate share measured at June 30, 2015. At June 30, 2015, the County's proportionate share was 0.99405% which was a decrease of 0.00414% from its proportionate share measured at June 30, 2013.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 11 - PENSION PLAN (Continued)

For the fiscal years ended September 30, 2016 and 2015, BCAD recognized pension expense of \$637,000 and \$454,000 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):

	Deferred Outflows of Resources	Deferred Inflows of Resources
As of September 30, 2016		
Differences between expected and actual experience	\$	\$ (19)
Change of assumptions	1,271	
Net difference between projected and actual earnings on Pension Plan investments	4	
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	92	(57)
Pension Plan contributions subsequent to the measurement date	96	
Total	\$ 1,463	\$ (76)
As of September 30, 2015		
Differences between expected and actual experience	\$	\$
Change of assumptions	544	
Net difference between projected and actual earnings on Pension Plan investments	4	
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions		(69)
Pension Plan contributions subsequent to the measurement date	78	
Total	\$ 626	\$ (69)

The deferred outflows of resources as of September 30, 2016 related to the HIS Plan, totaling \$96,000 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, 2017. 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>	
2016	\$ 227
2017	227
2018	226
2019	226
2020	203
Thereafter	182
Total	\$ 1,291

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016 AND 2015

NOTE 11 - PENSION PLAN (Continued)

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2016 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities as of June 30, 2016. The July 1, 2014 actuarial valuation was used to develop the liabilities for June 30, 2015. Liabilities originally calculated as of the July 1, 2014 actuarial date were recalculated as of June 30, 2015 using a standard actuarial roll-forward technique. The total pension liabilities as of June 30, 2016 and 2015 were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	2.85% in 2016 and 3.80% in 2015, net of pension plan investment expense, including inflation

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

The actuarial assumptions that determined the total pension liability as of June 30, 2016 and 2015 were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2016 and 2015 was 2.85% and 3.80% respectively. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The change between the two measurement dates is due to the changes in the applicable municipal bond index between the dates.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents BCAD's proportionate share of the net pension liability calculated as of September 30, 2016 and 2015 using the discount rate of 2.85% and 3.80%, 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 (1.85% and 2.80%) or one percentage point higher (3.85% and 4.80%) than the current rate (in thousands):

As of September 30, 2016

	1% Decrease 1.85%	Current Discount Rate 2.85%	1% Increase 3.85%
Proportional Share of the Net Pension Liability	\$9,226	\$8,041	\$7,059

As of September 30, 2015

	1% Decrease 2.80%	Current Discount Rate 3.80%	1% Increase 4.80%
Proportional Share of the Net Pension Liability	\$7,878	\$6,914	\$6,110

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 11 - PENSION PLAN (Continued)

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, 2016 and 2015, BCAD reported payables in the amount of \$34,000 and \$23,000, respectively, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2016 and 2015.

C. Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida State Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent 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% and 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.

Nonvested 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 years ended September 30, 2016 and 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to BCAD.

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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 11 - PENSION PLAN (Continued)

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 \$489,000 for the fiscal year ended September 30, 2016.

Payables to the Investment Plan - At September 30, 2016, BCAD reported a payable in the amount of \$40,000, for outstanding contributions to the Investment Plan required for the fiscal year ended September 30, 2016.

NOTE 12 - 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".

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.

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016 AND 2015

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The annual OPEB cost for BCAD for the 2016 and 2015 fiscal years, and the related information for the plan, is as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Required contributions rates:		
Employer	Pay as you go	Pay as you go
Plan members	N/A	N/A
Annual required contribution	\$ 185	\$ 191
Interest on net OPEB obligations	47	43
Adjustment to annual required contribution	<u>(61)</u>	<u>(49)</u>
Annual OPEB cost	171	185
Contributions made	<u>(85)</u>	<u>(93)</u>
Increase in net OPEB obligation	86	92
Net OPEB obligation - beginning of year	<u>1,110</u>	<u>1,018</u>
Net OPEB obligation - end of year	<u>\$ 1,196</u>	<u>\$ 1,110</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2016, 2015 and 2014 for BCAD were as follows (in thousands):

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual OPEB cost	\$ 171	\$ 185	\$ 184
Percentage of OPEB cost contributed	50.00%	49.99%	47.92%
Net OPEB obligation	\$ 1,196	\$ 1,110	\$ 1,018

Funded Status and Funding Progress

The funded status of the County's plan as of October 1, 2015, the date of the latest actuarial valuation, was as follows (in thousands):

Actuarial accrued liability	\$ 24,196
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	24,196
Funded ratio	0.00%
Covered payroll	\$ 265,122
Unfunded actuarial accrued liability as a percentage of covered payroll	9.13%

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016 AND 2015

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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	10/1/2015
Actuarial cost method	Entry age
Amortization method	Level Percent, closed
Remaining amortization period	22 years
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return*	3.75%
Projected salary increases*	3.70% - 7.80%
Healthcare inflation rate	8.5% initial, 4.5% ultimate

*Includes 2.60% general inflation rate

NOTE 13 - 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 \$11,291,000 and \$11,358,000 for the years ended September 30, 2016 and 2015, 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, 2016 and 2015 totaled approximately \$2,322,000 and \$1,585,000, respectively.

BCAD contracts directly with the Broward County Sheriff's Office for security services at FLL. The cost of these services was approximately \$18,217,000 and \$17,114,000 for the years ended September 30, 2016 and 2015, respectively.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 13 - TRANSACTIONS WITH OTHER COUNTY DEPARTMENTS (Continued)

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 \$9,233,000 and \$9,641,000 for the years ended September 30, 2016 and 2015, 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, 2016 and 2015, was approximately \$17,000 and \$11,000, 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, 2016 and 2015, were approximately \$85,000 and \$55,000, respectively.

At September 30, 2016 and 2015, there was no receivable from other County funds and departments and approximately \$4,253,000 and \$4,397,000, respectively, was payable to other County funds for security and fire-rescue services and permits.

NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES

Claims have been submitted by contractors to the County related to the construction of the south runway, improvements to Terminal 3 security screening check points and Taxiway C construction at FLL. Additionally, three lawsuits were filed regarding the expansion of the south runway at FLL. Two of those lawsuits assert claims in state court for unconstitutional takings under the Florida Constitution on behalf of individuals who reside in close proximity to the south runway. All but two of the plaintiffs in one of the state court cases voluntarily dismissed their lawsuits in order to participate in noise mitigation programs adopted by the County and both approved and financially supported by the FAA; the two remaining plaintiffs will join the other state court case. The County has filed answers and affirmative defenses, and is conducting discovery and pursuing summary judgment against each remaining plaintiff in turn. The third lawsuit purported to state a class action in federal court against the County for due process violation claims under the United States and Florida Constitutions and negligence, and claims against numerous airlines for unjust enrichment and civil trespass. The federal case was dismissed after County and the airlines filed motions challenging its legal sufficiency. That matter is presently on appeal.

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 the claims 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, 2016, BCAD had in process various uncompleted construction projects with commitments totaling \$470,094,000. The retainage payable on these contracts totaled \$28,995,000. Funding of these projects is 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)
10/1/2011		\$ 24,800	\$ 24,800		\$ 231,302	10.72%
10/1/2013		\$ 25,389	\$ 25,389		\$ 242,246	10.48%
10/1/2015		\$ 24,196	\$ 24,196		\$ 265,122	9.13%

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

BROWARD COUNTY AVIATION DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
BCAD's proportion of the net pension liability (asset)	0.05%	0.05%	0.05%
BCAD's proportionate share of the net pension liability (asset)	\$ 13,186	\$ 7,029	\$ 3,347
BCAD's covered-employee payroll	\$ 19,142	\$ 18,433	\$ 18,608
BCAD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	68.88%	38.13%	17.98%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.00%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,189	\$ 1,188	\$ 1,170
Contributions in relation to the contractually required contribution	\$ (1,189)	\$ (1,188)	\$ (1,170)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
BCAD's covered-employee payroll	\$ 20,474	\$ 18,258	\$ 19,529
Contributions as a percentage of covered-employee payroll	5.81%	6.51%	5.99%

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

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

BROWARD COUNTY AVIATION DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
BCAD's proportion of the net pension liability (asset)	0.07%	0.07%	0.07%
BCAD's proportionate share of the net pension liability (asset)	\$ 8,041	\$ 6,914	\$ 6,365
BCAD's covered-employee payroll	\$ 19,142	\$ 18,433	\$ 18,608
BCAD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	42.01%	37.51%	34.21%
Plan fiduciary net position as a percentage of the total pension	0.97%	0.50%	0.99%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 340	\$ 232	\$ 234
Contributions in relation to the contractually required contribution	\$ (340)	\$ (232)	\$ (234)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
BCAD's covered-employee payroll	\$ 20,474	\$ 18,258	\$ 19,529
Contributions as a percentage of covered-employee payroll	1.66%	1.27%	1.20%

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

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – PENSION INFORMATION

The discount rate used to measure the pension liability of the Pension Plan at June 30, 2016 was decreased from 7.65% to 7.60%. 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 is a prescribed assumption as defined by the Actuarial Standards of Practice No. 27 (ASOP 27) and the 7.60% assumption was adopted by the 2016 FRS Actuarial Assumption Conference.



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**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, of the Broward County Aviation Department ("BCAD"), an enterprise fund of Broward County, Florida as of and for the year ended September 30, 2016, and have issued our report thereon dated March 22, 2017.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 BCAD'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

We noted certain other matters that we reported to management in a separate letter dated March 22, 2017.

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 BCAD's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCAD'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
March 22, 2017