



Broward County Aviation Department
A Major Fund of Broward County, Florida
Financial Statements
For the Year Ended September 30, 2022

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the Broward County Aviation Department (the BCAD) of Broward County, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the BCAD's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the BCAD as of September 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the BCAD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements of the BCAD are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Broward County, Florida that is attributable to the transactions of the BCAD. They do not purport to, and do not, present fairly the financial position of Broward County, Florida as of September 30, 2022, and the changes in its financial position, or, where applicable, its cash flows for the year 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.

As discussed in Note 1 and Note 5 to the financial statements, the BCAD adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* as of October 1, 2021. As a result of the adoption, beginning lease receivable, right-of-use assets, lease liability, and deferred inflows of resources were restated. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BCAD's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to the pension and other post-employment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the BCAD's basic financial statements. The Schedule of Net Revenue and Debt Service Coverage Calculation is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Net Revenue and Debt Service Coverage Calculation is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023, on our consideration of the BCAD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BCAD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCAD's internal control over financial reporting and compliance.

RSM VS LLP

Fort Lauderdale, Florida
March 27, 2023

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, 2022 and 2021. 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 2022

- BCAD's assets and deferred outflows of resources exceeded liabilities and deferred inflows at the close of fiscal year 2022 by \$1.78 billion.
- Total revenue bonds payable were \$2.46 billion at September 30, 2022, a decrease of \$106.9 million, or 4.2%, less than fiscal year 2021, attributed to the repayment of bond principal.
- Operating revenues were \$313.8 million in fiscal year 2022, which represents a 6.3% increase over fiscal year 2021. In comparison to fiscal year 2021, other non-airline revenues such rental cars and parking increased by 17.6% and 60.1% respectively. However, concessions and non-airline terminal rents and other rents decreased by 6.8% and 31.1% respectively, while North Perry Airport, cargo and miscellaneous operating revenue increased 20.4%, 30.4% and 20.3% respectively.
- Operating expenses were \$217.0 million in fiscal year 2022, representing a 35.8% increase over fiscal year 2021. The increase is mainly due to increases in contractual services, law enforcement as well as maintenance, equipment and supplies expenditures.
- Capital contributions were \$12.0 million in fiscal year 2022 and are comprised of amounts received from the Federal Aviation Administration (FAA), and Florida Department of Transportation (FDOT).
- The net position decreased by \$65.4 million, or 5.2% from fiscal year 2021.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Activity Highlights

Passenger enplanements at FLL increased by 23.3% during fiscal year 2022 as travel rebounded post pandemic. The increases in commercial aviation operations, cargo operations and in general aviation operations of 11.0%, 3.5% and 23.2% respectively resulted in an overall increase in aircraft operations in fiscal year 2022 compared with fiscal year 2021.

Below is a comparative table of activities by fiscal year:

Activity	Fiscal Years Ended September 30	
	<u>2022</u>	<u>2021</u>
Enplanements	15,397,295	12,482,905
Landed weight (1,000 pounds)		
Passenger airlines	15,959,240	14,373,480
Cargo airlines	516,142	498,726
General aviation	672,177	545,719
Total landed weight	17,147,559	15,417,925
Aircraft operations	284,762	251,204

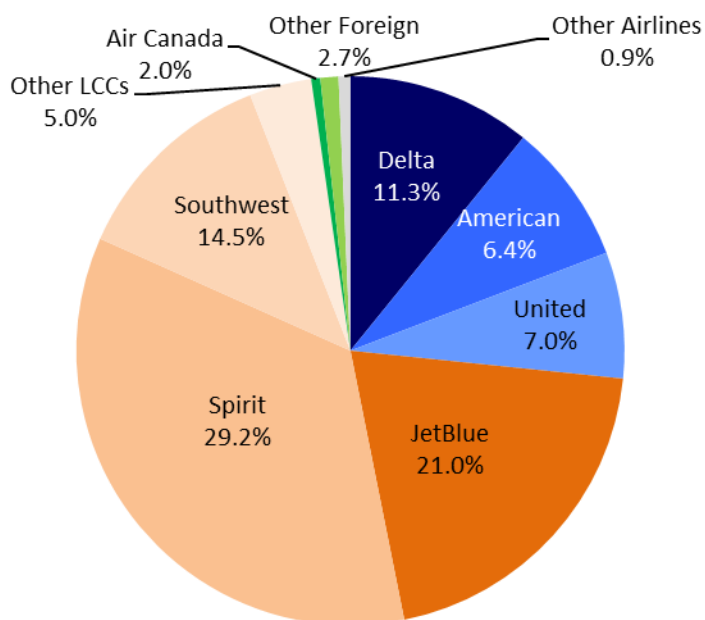
BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Airline Market Share and Passenger Enplanements

In fiscal year 2022, the eight Signatory Airlines represented 95.4% of enplanements, of which the top five airlines totaled 84.2%. This diversity reduces the reliance on the performance of one dominant airline.

Passenger Enplanements	Fiscal Years Ended September 30			
	2022		2021	
Spirit Airlines	4,495,891	29%	4,348,776	35%
JetBlue Airways	3,234,501	21%	2,524,385	20%
Southwest Airlines	2,226,324	15%	1,541,982	12%
Delta Air Lines	1,769,216	11%	1,355,814	11%
United Airlines	1,077,511	7%	927,232	7%
American Airlines	980,014	6%	1,040,772	8%
Air Canada	303,341	2%	66,388	1%
Allegiant Air	444,309	3%	347,327	3%
Silver Airways	104,015	1%	79,382	1%
Others	762,173	5%	250,847	2%
Total Enplanements	15,397,295	100%	12,482,905	100%

The Low Cost Carriers' (LCC) market share of enplanements (shaded in orange hues below) was 69.7% in fiscal year 2022, which represents a decrease of 1.4 percentage points compared with fiscal year 2021 and a significant increase from the LCC's 60.0% market share 10 years ago.



BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

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

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

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

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

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

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Position

The Statement of Net Position presents BCAD's financial position at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The following is a comparative summary of BCAD's assets, deferred outflow of resources, liabilities, deferred inflows of resources, and net position for the fiscal years ended September 30, 2022 and 2021 (in thousands):

Net Position	Fiscal Years Ended September 30	
	<u>2022</u>	<u>2021</u>
Assets		
Current and other assets	\$ 1,650,438	\$ 1,359,057
Capital assets, net	3,122,201	3,172,225
Total assets	4,772,639	4,531,282
Deferred outflow of resources	58,493	60,166
Liabilities		
Current liabilities	229,460	234,150
Noncurrent liabilities	2,400,571	2,492,056
Total liabilities	2,630,031	2,726,206
Deferred inflow of resources	422,176	20,924
Net investment in capital assets	1,041,522	1,060,568
Restricted	485,090	480,907
Unrestricted	252,313	302,843
Total Net Position	\$ 1,778,925	\$ 1,844,318

Total net position as of September 30, 2022, was \$1.78 billion, representing a decrease of \$65.4 million, or 3.5% compared to 2021.

At September 30, 2022, 58.5% of BCAD's net position is represented by its net investment in capital assets. These capital assets are used to provide services to passengers and visitors to the airports. The restricted portion (27.3% at September 30, 2022), 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 (14.2% at September 30, 2022) may be used to meet any of BCAD's ongoing obligations.

Capital assets, net of depreciation decreased by \$50.0 million in fiscal year 2022. The decrease is mainly attributable new asset purchases offset by land sales and depreciation.

Current and other assets at September 30, 2022, totaled \$1.65 billion, representing an increase of \$799.2 million, or 58.8.9%, compared to September 30, 2021, primarily due to the implementation of GASB 87 (leases) and recording lease receivables of \$422.0 million partially offset by decreases in cash and investments.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, ***deferred outflows and inflows of resources*** are reported separately from assets and liabilities. BCAD has six items that qualify for reporting as deferred outflows and inflows of resources. The first item relates to a loss on refunding from a bond refunding in fiscal year 2015, offset by a gain on refunding from a bond refunding during fiscal year 2017 that is reported as a deferred outflow of resources. There are two new items in fiscal year 2020 relating to a loss on refunding from a bond refunding and a loss on refunding from a bond advance refunding. Due to the advance refunding affecting various series, prior deferred amounts have been affected. There was an overall increase in the deferred amount during fiscal year 2020 due to this bond refunding and bond advance refunding. The fourth item relates to deferred variances according to GASB Statement No. 68, Accounting and Financial Reporting for Pensions. These deferred variances can occur due to actuarial assumptions that differ between the actual pension plan experience and the original actuarial assumed rates. Differences can result from, among others, earnings on investments, changes in assumptions, and other experience gains or losses. A variance represents a gain or a loss, shown as deferred inflows of resources or deferred outflows of resources, respectively, in the statements of net position. These deferred outflows and inflows are amortized in accordance with the provisions of GASB Statement No. 68. Furthermore, employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources. Deferred outflows on pensions increase \$0.8 million in fiscal year 2022 compared to fiscal year 2021 and the level of deferred inflows on pensions decreased by \$18.8 million during the same period. The fifth item relates to deferred variances according to GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for other postemployment benefits (OPEB). Deferred outflows on OPEB are \$469,000 and \$534,000 in fiscal years 2022 and 2021 respectively, and deferred inflows on OPEB are \$1.3 million and \$170,000 in fiscal years 2022 and 2021 respectively. The sixth item, new for fiscal year 2022, relates to GASB Statement No. 87, where the deferred inflow should be measured as the value of lease receivable at the commencement of the lease term that relates to future periods, and is \$419,000.

Current liabilities at September 30, 2022, are \$229.5 million representing a decrease of \$4.7 million, or 2.0%, over the prior year. This is attributable to a decrease in accrued liabilities as well as accounts payable.

Noncurrent liabilities decreased by \$91.5 million, or 3.7%, during fiscal year 2022 mainly due to the repayment of bond principal.

At September 30, 2022, there are \$174.0 million in unamortized bond premiums, net of unamortized bond discounts, primarily from the new money issues in fiscal years 2012, 2013, 2015, 2017 and 2019, and the refunding issues in fiscal years 2012, 2015 and 2019. At September 30, 2021, there were \$190.1 million in unamortized bond premiums, net of unamortized bond discounts.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues, Expenses and Changes in Net Position

Below is a comparative summary of BCAD's revenues, expenses and changes in net position for the fiscal years ended September 30, 2022 and 2021 (in thousands):

Summary of Revenues, Expenses and Changes in Net Position	Fiscal Years Ended September 30	
	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 313,836	\$ 295,201
Operating Expenses	216,975	159,833
Operating income before depreciation	96,861	135,368
Depreciation and amortization	138,256	131,779
Operating (Loss) Income	(41,395)	3,589
Nonoperating Revenues (Expenses)	(36,012)	42,745
Capital Contributions	12,014	44,694
Change in Net Position	(65,393)	91,028
Net Position - Beginning of Year, as previously reported	1,844,318	1,753,290
Total Net Position - Beginning of Year	1,844,318	1,753,290
Total Net Position - End of Year	\$ 1,778,925	\$ 1,844,318

In fiscal year 2022, operating revenues increased by \$18.6 million, or 6.3%. Operating expenses increased \$57.1 million, or 35.8%, compared to the same period last year.

Overall, BCAD's net position decreased by \$65.4 million in fiscal year 2022 compared to an increase of \$91.0 million during fiscal year 2021. 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

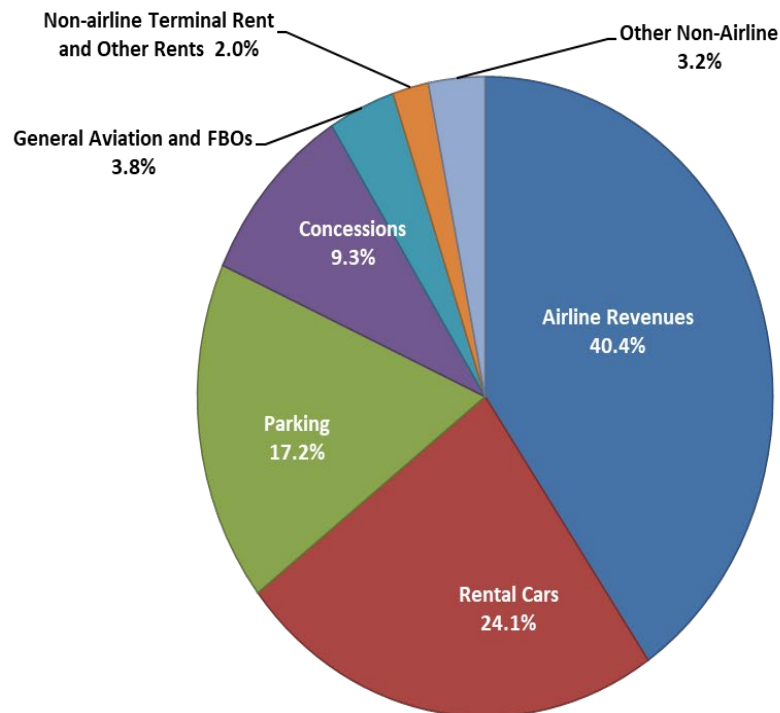
Operating Revenues

The major sources of operating revenues for the fiscal years ended September 30, 2022 and 2021 are (in thousands):

Operating Revenues	Fiscal Years Ended September 30	
	2022	2021
Airline revenues	\$ 126,843	\$ 136,692
Rental cars	75,556	64,252
Parking	54,102	33,783
Concessions ¹	29,283	31,414
General aviation and fixed based operators	11,772	11,044
Non-airline terminal rent and other rents	6,348	9,218
North Perry Airport	2,012	1,671
Cargo	3,358	2,576
Miscellaneous operating revenues	4,562	4,551
Total Operating Revenues	\$ 313,836	\$ 295,201

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

Fiscal year 2022 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 decreased by \$3.8 million, or 2.7%, in fiscal year 2022, in accordance with the residual rate-making formula in the airline agreements. Airline revenues represented 40.4% of overall operating revenues in fiscal year 2022, resulting in a favorable CPE of \$8.03 that is still below the industry average for a large hub airport.

Airline Cost per Enplanement (in thousands)	Fiscal Years Ended September 30	
	2022	2021
Airline revenues	\$ 126,843	\$ 136,692
Take out: Airline revenue adjustment	(3,343)	118
Airline revenues, excluding revenue adjustment	\$ 123,500	\$ 136,810
Enplaned passengers	15,397,295	12,482,905
Average Cost Per Enplanement (CPE)	\$8.03	\$10.97

Airline revenues decreased by \$9.8 million, or 7.2%, in fiscal year 2022 mainly due to lower airline rates charged as rates were set based on budgeted higher enplanements.

Non-airline revenues represented 59.6% of total operating revenues in fiscal year 2022, up from 53.7% in fiscal year 2021. The main categories of non-airline revenues are rental car revenues, parking revenues, and concessions. Revenues from all three categories increased in the fiscal year 2022 due to increased passenger activity. The 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 FLL attractive to air carriers, especially low-cost carriers.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Rental car revenues, including customer facility charges (“CFCs”) and rental car commissions increased by 17.6% to \$75.6 million in fiscal year 2022 when compared to fiscal year 2021. Rental car revenues represented the largest source of non-airline revenues in fiscal year 2022 at 24.1% of total operating revenues. CFCs are fees charged by the on-airport rental car companies and are a per-day charge on a car rental. In addition to certain ground rental payments, BCAD receives revenues from automobile rental companies under agreements which guarantee annual minimum payments or, if greater, a percentage of gross revenues from automobile rentals at FLL. BCAD negotiated a new rental car agreement effective fiscal year 2020 with 7 rental car companies representing 14 brands operating at the consolidated rental car facility located on airport property. This agreement results in three new brands operating at the facility (with one brand exiting), and will enhance revenue through additional CFCs from the new entrants, and revenue and rent enhancements included in the negotiations.

Parking revenues increased by \$20.3 million or 60.1 % in fiscal year 2022 compared to fiscal year 2021. At 17.2% of total operating revenues for fiscal year 2022, the County-owned parking facilities at FLL are some of the largest sources of revenues other than payments by the airlines and rental car revenue. Since fiscal year 2008 passengers had increasingly sought alternative transportation to and from the airport, including the use of TNCs and a shift toward less expensive off-site airport parking, though that behavior seems to have shifted post COVID 19 pandemic. The parking facilities also compete with several off-airport private parking operators that provide free shuttle service to their customers.

Concession revenues (excluding rental car commissions) decreased by \$2.1 million or 6.8% in fiscal year 2022 versus 2021. Concession revenues, which accounted for 9.3% of non-airline operating revenues in fiscal year 2022, decreased mainly due to the application of the American Rescue Plan Act (ARPA) grant, \$9.3 million, provided by the Federal Aviation Administration to provide rent relief to airport concessions and minimum annual guarantee (MAG) obligations for concessionaires for use after March 11, 2021. Within the category of concessions, food and beverage amounted to \$12.2 million (41.6%) of operating revenue, down \$1.5 million (10.9%) from fiscal year 2021. Retail including news and gift, specialty retail, and duty free amounted to \$6.1 million (20.8%) of fiscal year 2022 operating revenues down \$3.7 million (37.7%) to the prior fiscal year. Excluding the ARPA grant application of \$9.3 million, concession revenue increased \$6.2 million or 19.8% in fiscal year 2022 versus 2021. 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.

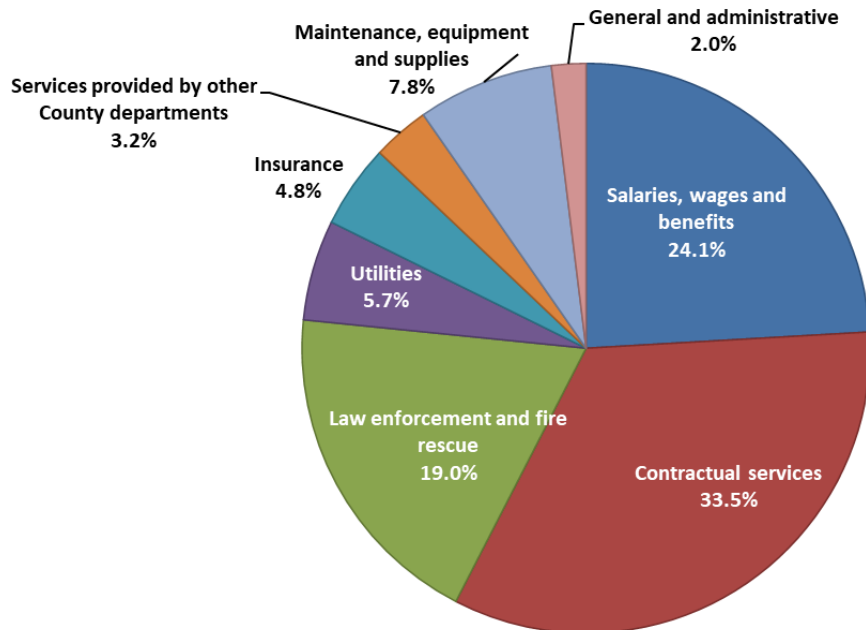
BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Expenses

The table below shows the major categories of operating expenses for the fiscal years ended September 30, 2022, and 2021 (in thousands):

Operating Expenses	Fiscal Years Ended September 30	
	2022	2021
Salaries, wages and benefits	\$ 52,261	\$ 46,099
Contractual services	72,671	53,404
Law enforcement and fire rescue	41,256	17,050
Utilities	12,376	10,805
Insurance	10,319	8,892
Services provided by other County departments	7,019	7,004
Maintenance, equipment and supplies	16,829	12,787
General and administrative	4,244	3,792
Total Operating Expenses	\$ 216,975	\$ 159,833

The chart below shows the distribution of operating expenses, excluding depreciation, for the fiscal year 2022:



BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall operating expenses in fiscal year 2022 increased by \$34.0 million or 11.5% compared to fiscal year 2021.

Salaries, wages and benefits increased by \$6.2 million, or 13.4%, in fiscal year 2022 from fiscal year 2021 as vacancies were being filled. Salaries, wages and benefits accounted for 24.1% of total operating expenses before depreciation in fiscal year 2022.

Contractual services consist mainly of parking and ground transportation management fees, shuttle service costs, security costs, janitorial and other maintenance contracts and various professional fees. Contractual services increased by \$19.3 million, or 36.1%, in fiscal year 2022 from fiscal year 2021 as a result of increased ground transportation management fees and increases in parking management, security, janitorial and shuttle services costs. The increases in passenger activity are the primary driver of these cost increases.

Law enforcement and fire rescue expenses increased \$24.2 million, or 142.0%, in fiscal year 2022 to \$41.3 million from \$17.1 million in fiscal year 2021. These expenses represented 19.0% of total operating expenses before depreciation in fiscal year 2022. In fiscal year 2021, under the provisions of the CARES Act, a portion of eligible law enforcement and fire rescue expense were transferred to the County's CARES Act Special Revenue fund thus reducing BCAD's law enforcement and fire rescue expense in fiscal year 2021.

Utilities expenditure in fiscal year 2022 experienced an increase of \$1.6 million or 14.5% compared to fiscal year 2021.

Insurance costs increased by \$1.4 million, or 16.0%, from fiscal year 2022 to fiscal year 2021, due to an increase in the insurance premiums.

Services provided by other County departments remained flat in fiscal year 2022 to fiscal year 2021.

Maintenance, equipment and supplies increased by \$4.0 million, or 31.6%, from fiscal year 2022 to fiscal year 2021, mainly due to the increased maintenance activity in response to increased passenger traffic.

General and administrative services increased \$0.5 million, or 11.9%, in fiscal year 2022 compared to fiscal year 2021. The increase in fiscal year 2022 is mainly attributable to an increase in credit card fees due to higher parking activity.

Depreciation expense increased \$6.5 million or 4.9% in fiscal year 2022 compared to the prior year. The increase was primarily the result of several construction projects being completed and transferred to assets which began generating depreciation.

Non-operating revenues (expenses), represent passenger facility charges (PFCs), interest income and expense, bond issuance costs, and other non-operating revenues and expenses. Overall non-operating revenues, net of expenses, were significantly lower in fiscal year 2022 than the previous year by \$88.0 million or 206.0%. This is mainly attributable to a \$71.1 million decrease in federal grants, increase of net interest and investment loss of \$38.8 million, increased interest expense on bonds of \$3.6 million for new bonds issued in fiscal year 2020, all of which was partially offset by lease interest revenue of \$6.0 million, due to implementation of GASB 87, and gain on sale of capital assets of \$3.4 million.

PFCs increased \$7.4 million, or 12.9% in fiscal year 2022 compared to fiscal year 2021 due to increased passenger numbers. PFCs are authorized for collection at FLL at \$4.50 per enplaning passenger and remitted to the airport net of a \$0.11 collection charge retained by the airlines.

Capital contributions consist of grants from the federal and state governments. Capital contributions in fiscal year 2022 were \$32.7 million less at \$12.0 million compared to \$44.7 million in fiscal year 2021.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Grants contributions received during the fiscal year were mostly in support of airfield project totaling \$10.8, terminal improvements totaling \$1.2M.

Capital Acquisition and Construction Activities

During fiscal year 2022 BCAD expended \$86.5 million on capital acquisitions and projects under construction, compared to \$137.8 million during fiscal year 2021. The amounts expended on capital acquisitions and major projects under construction during fiscal year 2022, are as follows (in thousands):

Capital Acquisitions and Projects under Construction during Fiscal Year 2022	
Noise Mitigation Avigation Easements relating to South Runway Expansion	\$ 358
Miscellaneous Capital Acquisitions <\$1 million	1,127
Projects Under Construction:	
Terminal Improvements	49,370
Airfield Projects	1,508
Terminal In-line Baggage Systems	2,792
Utilities Upgrades	2,648
New Credentialing Office	1,683
Terminal Connectors	14,028
System Improvements	2,558
Airport Master Plan	3,349
Parking Facility and System Improvements	5,716
Miscellaneous Projects < \$1 million	1,411
Total	\$ 86,548

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Major projects completed and the amounts transferred to fixed assets during fiscal year 2022, are as follows (in thousands):

Capital Projects Completed during Fiscal Year 2022	
Terminal Improvements	\$ 298,921,203
Utilities Upgrades	4,566,168
Airfield Projects	3,226,902
System Improvements	2,961,051
New Credentialing Office	2,133,306
Pedestrian Crossings	1,575,646
Terminal In-line Baggage Systems	279,502
Parking Facility and System Improvements	56,325
Miscellaneous Projects < \$1 million	597,640
Total	\$ 314,317,743

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

Debt Administration

As of September 30, 2022 and 2021, BCAD had \$2.36 billion and \$2.47 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.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarizes the outstanding bonded indebtedness as of September 30, 2022 (in thousands):

Airport System Revenue Bonds				
	Outstanding Principal	Expected To Be Paid From		Final Maturity *
		PFCs/Grants	Airport Revenues	
Bond Series				
2012 P-1	86,905		86,905	2026
2012 P-2	26,700	11,257	15,443	2026
2012 Q-1	217,550	217,550		2042
2012 Q-2	10,800		10,800	2042
2013 A	19,945		19,945	2043
2013 B	8,225		8,225	2043
2013 C	25,305	25,305		2043
2015 A	393,145		393,145	2045
2015 B	9,575		9,575	2045
2015 C	19,725	19,725		2025
2017	278,145		278,145	2047
2019A	422,305		422,305	2049
2019B	57,320		57,320	2029
2019C	708,470	405,457	303,013	2043
Total Bond Indebtedness	\$ 2,284,115	\$ 679,294	\$ 1,604,821	

* 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, \$55.0 million of PFC and grant revenues, available from the subsequent reimbursement of capital outlays, were used to pay principal and interest due for fiscal year 2022.

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

Debt Service Coverage	Fiscal Years Ended September 30	
	2022	2021
Airport System Revenue Bonds *	1.33	1.50

* In previous reporting periods earned investment income included earned investment income held within Bond and Construction Funds, and these have been excluded as of fiscal year 2020. Additionally, in previous reporting periods pension adjustments were excluded from current year operating expenses, and these have been included as of fiscal year 2020.

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

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Outlook

FLL is located in Broward County, which, together with neighboring Miami-Dade and Palm Beach counties, comprises the Miami-Fort Lauderdale-Pompano Beach Metropolitan Statistical Area (MSA) according to the U.S. Census Bureau. The MSA is the nation's seventh largest with a population of approximately 6.1 million residents in 2021.

Population growth rates over the last couple of decades have exceeded growth rates for the United States as a whole. Furthermore, the local economy continues to be strong with an unemployment rate in Broward County of 2.6% in September 2021, compared to 4.4% for the same period in September 2021 and the state rate of 2.5% national rate of 4.8%. However, as South Florida is a major tourist destination, the majority of FLL passengers are visitors to Broward County and South Florida. BCAD partners with the Convention and Visitors Bureau (CVB), Office of Economic Development (OED) and Port Everglades on marketing and promotional activities.

Over the last few years, FLL has been one of the fastest growing large hub airports in the US and ranked 1st in growth for both calendar years 2017 and 2018. During the 5 year period from 2013 to 2018, FLL's total passenger traffic increased by 13 million passengers, an increase of 57%. Unfortunately this trend was reversed significantly due to the negative effects of the coronavirus. In fiscal year 2022 passenger traffic started to recover ending to 85% of total passengers compared to fiscal year 2019, the year with the highest number of passengers to date.

According to Airports Council International, FLL ranked 17th in total passenger traffic, 11th in domestic traffic, and 20th in international passenger traffic during fiscal year 2022. FLL had an average of 225 daily departures to 80 cities in the US and 67 daily international departures to 42 international destinations in 21 countries, compared to an average of 380 daily departures in FY 2019.

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

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

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

Request for Information

This financial report is designed to provide a general overview of BCAD's finances for all those who are interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Broward County Aviation Department, 320 Terminal Drive, Suite 200, Fort Lauderdale, FL 33315.

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022
(in thousands)

ASSETS	<u>2022</u>
Current Assets	
Unrestricted Assets	
Cash and cash equivalents	\$ 16,859
Investments	256,259
Receivables	
Accounts receivable,	
net of allowance of \$4,778	22,791
Interest receivable	773
Leases receivable	56,095
Due from other governments	12,984
Inventories	1,720
Prepaid items	10,293
Total current unrestricted assets	<u>377,774</u>
Restricted Assets	
Cash and cash equivalents	184,248
Passenger facility charges receivable	7,691
Interest receivable	1,223
Due from other governments	10,000
Total current restricted assets	<u>203,162</u>
Total current assets	<u>580,936</u>
Noncurrent Assets	
Unrestricted Assets	
Leases receivable	365,923
Total noncurrent unrestricted assets	<u>365,923</u>
Restricted Assets	
Cash and cash equivalents	105,946
Investments	597,633
Capital assets	
Non-depreciable	507,799
Depreciable, net of accumulated depreciation and	
amortization of \$1,485,235	<u>2,614,402</u>
Total capital assets, net	<u>3,122,201</u>
Total noncurrent assets	<u>4,191,703</u>
TOTAL ASSETS	<u>\$ 4,772,639</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	\$ 47,395
Deferred outflows on Other Post Employment Benefits	469
Deferred outflows on pensions	10,629
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 58,493</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022
(in thousands)

LIABILITIES	2022
Current Liabilities	
Payable from Unrestricted Assets	
Accounts payable	\$ 14,308
Accrued liabilities	5,345
Capital leases payable	193
Due to other County funds	10,864
Due to other governments	1,857
Deposits	6,320
Unearned revenue	1,716
Compensated absences	3,386
Total current liabilities payable from unrestricted assets	<u>43,989</u>
Payable from Restricted Assets	
Accounts payable	41,449
Accrued interest payable	48,777
Revenue bonds payable	95,245
Total current liabilities payable from restricted assets	<u>185,471</u>
Total current liabilities	<u>229,460</u>
Noncurrent Liabilities	
Revenue bonds payable, including discounts and premiums	2,362,821
Capital leases payable	489
Compensated absences	2,489
Total other post employment benefits liability	1,547
Net pension liability	33,225
Total noncurrent liabilities	<u>2,400,571</u>
TOTAL LIABILITIES	<u>\$ 2,630,031</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on leases	\$ 418,907
Deferred inflows on Other Post Employment Benefits	1,328
Deferred inflows on pensions	1,941
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 422,176</u>
NET POSITION	
Net investment in capital assets	\$ 1,041,522
Restricted for	
Debt service	223,255
Capital projects	261,835
Unrestricted	252,313
TOTAL NET POSITION	<u>\$ 1,778,925</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 30, 2022
(in thousands)

	<u>2022</u>
Operating Revenues	
Airline revenues	\$ 126,843
Rental cars	75,556
Parking	54,102
Concessions	29,283
General aviation and fixed based operators	11,772
Non-airline terminal rent and other rents	6,348
North Perry Airport	2,012
Cargo	3,358
Miscellaneous	4,562
Total operating revenues	<u>313,836</u>
Operating Expenses	
Salaries, wages and benefits	52,261
Contractual services	72,671
Law enforcement and fire rescue	41,256
Utilities	12,376
Insurance	10,319
Services provided by other County departments	7,019
Maintenance, equipment and supplies	16,829
General and administrative	4,244
Total operating expenses before depreciation	<u>216,975</u>
Operating Income before Depreciation	96,861
Depreciation and amortization	<u>138,256</u>
Operating (Loss)	<u>(41,395)</u>
Nonoperating Revenues (Expenses)	
Interest and investment income	8,062
Net decrease in the fair value of investments	<u>(45,315)</u>
Net interest and investment loss	(37,253)
Passenger facility charges	64,989
Federal grants and financial assistance	9,355
Interest revenue leases	6,037
Interest expense	(83,781)
Interest expense leases	(5)
Gain on disposal of capital assets	3,442
Other	1,204
Total nonoperating revenues (expenses)	<u>(36,012)</u>
Loss before Capital Contributions	<u>(77,407)</u>
Capital contributions	<u>12,014</u>
Change in Net Position	<u>(65,393)</u>
Total Net Position - Beginning of Period	1,844,318
Total Net Position - End of Period	<u>\$ 1,778,925</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(in thousands)

	<u>2022</u>
Cash Flows from Operating Activities	
Cash received from customers	\$ 308,714
Cash payments to suppliers for goods and services	(161,381)
Cash payments to employees for services	(50,660)
Other cash received	1,204
Net cash provided by operating activities	<u>97,877</u>
Cash Flows from Noncapital Financing Activities	
Nonoperating grants and financial assistance received	9,355
Net cash provided by noncapital financing activities	<u>9,355</u>
Cash Flows from Capital and Related Financing Activities	
Lease interest received	6,037
Lease interest charges	(5)
Acquisition and construction of property, plant and equipment	(94,831)
Proceeds from sale of capital assets	3,442
Debt principal payment	(90,655)
Interest and fiscal charges	(99,866)
Capital contributions	908
Passenger facility charges received	64,667
Net cash used for capital and related financing activities	<u>(210,303)</u>
Cash Flows from Investing Activities	
Purchase of investment securities	(668,475)
Proceeds from sale and maturities of investment securities	881,257
Interest and dividends on investments	(37,896)
Net cash provided by investing activities	<u>174,886</u>
Net Increase in Cash and Cash Equivalents	71,815
Cash and Cash Equivalents, Beginning of Period	<u>235,238</u>
Cash and Cash Equivalents, End of Period	<u>\$ 307,053</u>
 Cash and Cash Equivalents - Unrestricted Assets	 \$ 16,859
Cash and Cash Equivalents - Restricted Assets	
Current cash and cash equivalents	184,248
Noncurrent cash and cash equivalents	105,946
	<u>\$ 307,053</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(in thousands)

	<u>2022</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (41,395)
Adjustments to reconcile operating loss to cash flows provided by operating activities	
Depreciation and amortization expense	138,256
Other nonoperating revenues	1,204
(Increase) Decrease in assets and deferred outflows of resources	
Accounts receivable	1,489
Leases receivable	(422,018)
Due from other County funds	-
Inventories	169
Prepaid items	84
Deferred outflows on other post employment benefits	65
Deferred outflows on pensions	(806)
Increase (Decrease) in liabilities and deferred inflows of resources	
Accounts payable	1,798
Accrued liabilities	1,987
Capital leases payable	682
Due to other County funds	(651)
Due to other governments	990
Deposits	577
Unearned revenues	(5,536)
Compensated absences	(40)
Total other post employment benefits liability	(1,144)
Net pension liability	20,914
Deferred inflows on leases	418,907
Deferred inflows on other post employment benefits	1,158
Deferred inflows on pensions	(18,813)
Net adjustments	<u>139,272</u>
Net cash provided by operating activities	<u>\$ 97,877</u>
 Noncash Investing, Capital and Financing Activities	
Amortization of bond discount and premiums	\$ (16,196)
Amortization of deferred charge on refunding	2,413
Right to use leased assets	874
Amortization of right to use leased assets	(194)
Capital contributions	12,014
Capital assets acquired through current accounts payable	43,289
Change in fair value of investments	(45,315)

See notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

C. Implementation of Governmental Accounting Standards Board Statements

BCAD adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2022:

I. GASB Statement No. 87, Leases

GASB Statement No. 87 increases the usefulness of financial statements by requiring the recognition of certain lease assets and liabilities that were previously classified as operation leases and recognized as inflows of resources or outflows of resources based on provisions of the contract. Refer to Note 5 regarding the impact of Statement No. 87 on BCAD as of and during the year ended September 30, 2022.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GASB Statement No. 92, Omnibus 2020

GASB Statement No. 92 clarifies multiple financial reporting topics included in multiple GASB Statements. Statement No. 92 did not impact BCAD's financial position or results in operations.

3. GASB Statement No. 93, Replacement of Interbank Offered Rates

GASB Statement No. 93 addresses the accounting and financial reporting implications that result from a replacement of an interbank offered rate. Statement No. 93 did not impact BCAD's financial position or results in operations.

4. GASB Statement No. 99, Omnibus 2022

GASB Statement No. 99 clarifies multiple financial reporting topics included in multiple GASB Statements. Certain portions of the statement are effective and implemented for the fiscal year ended September 30, 2022 including extension of the use of LIBOR, accounting for SNAP distributions, disclosure of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provision in GASB 34, as amended, and terminology updates related to GASB Statement No. 53 and Statement No. 63 upon issue date (April 2022). Statement No. 99 did not impact BCAD's financial position or results in operations.

5. GASB Statement No. 100, Accounting Change and Error Corrections – an Amendment of GASB Statement No. 62

GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 did not impact BCAD's financial position or results in operations.

D. Deposits and Investments

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

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

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 uncertainty as to ultimate collectability based on current economic conditions and consideration of the customer's ability to pay. Receivables for BCAD are presented in the accompanying financial statements, net of an allowance for uncollectible accounts.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Leases

As a lessor, BCAD recognizes a lease receivable and deferred inflows of resources at the beginning of the lease term. The lease receivable is measure at the present value of future lease payments expected to be received during the lease term. Measurement of the lease receivable includes fixes payments, variable payments that depend on tan index or rate, variable payment that are fixed in substance and any lease incentives payable to the lessee. Periodic amortization of the discount on the receivable is recorded as interest revenue for that period. The future lease payments from the lessee are discounted using the interest rate implicit in the lease. If the interest rate is not available, BCAD uses its incremental borrowing rate determined by the County. The deferred inflows of resources are measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods and are recognized as inflows on a straight-line basis over the term of the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference. This recognition does not apply to short-term leases or certain regulated leases.

For short-term lease agreements, BCAD recognizes lease payments as inflows of resources based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Paragraph 42 of GASB Statement No. 87 recognizes that certain leases of a government entity are subject to external laws, regulations, or legal rulings. In this case, lessors should not apply the provision in paragraph 44-59 of the Statement for leases that meet the regulated exception criteria outlines in paragraph 43 of GASB 87. BCAD meets the exception criteria as outlined in paragraphs 42, and 43 (a), (b), and (c) for leases that are designated as regulated leases. See Note for additional information on leases.

G. Due from Other Governments

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

H. Inventories and Prepaid Items

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

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

I. Capital Assets

Capital assets, which include property, plant and equipment, are recorded at cost or, if donated, at acquisition value at the date of donation. The capitalization levels are \$5,000 for equipment and \$50,000 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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position 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, other postemployment benefits, 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 other postemployment benefits are more fully disclosed in Note 1, Section O and Note 10 while pension activities are more fully disclosed in Note 1, Section P and Note 11. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by BCAD related to other postemployment benefits are more fully disclosed in Note 1, Section O, and Note 10 while those related to pension activities are more fully disclosed in Note 1, Section P and Note 11. Deferred inflows of resources related to leases are more fully disclosed in Note 5.

K. Due to or from Other County Funds

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

L. Unearned Revenue - Airline Fees and Charges

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

M. Long-term Obligations

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

N. Compensated Absences

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

O. Total OPEB Liability

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Pensions

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

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

Q. Net Position and Net Position Flow Assumption

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

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

R. Capital Contributions

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

S. 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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

requirements: (1) preserve or enhance safety, security, or capacity of the national transportation system; (2) reduce noise or reduce noise impacts resulting from an airport; or (3) furnish opportunities for enhance competition between or among carriers.

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

Through initial and subsequent FAA approvals, BCAD is currently authorized to collect PFCs up to \$2,023,360,000, of which \$1,176,778,000 has been collected as of September 30, 2022. The net receipts from PFCs are restricted for use on FAA-approved capital projects and debt service on revenue bonds issued to fund approved PFC-eligible projects. As of September 30, 2022, \$935,083,000 of the collected PFCs had been spent on approved projects or debt service, and the remaining \$241,696,000, along with a PFC receivable of \$7,716,000 and interest receivable of \$164,000, is reflected in the net position restricted for capital projects. As of September 30, 2021, \$923,243,000 of the collected PFCs have been spent on approved projects or debt service, and the remaining \$187,392,000, along with a PFC receivable of \$7,390,000 and interest receivable of \$288,000 were reflected in the net position of restricted for capital projects.

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, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2022, BCAD's deposits and investments consisted of the following (in thousands):

	<u>2022</u>
Cash Deposits	<u>\$ 58,274</u>
Investments:	
U.S. Treasuries	286,275
U.S. Agencies	557,111
World Bank	16,284
Money Market Mutual Funds	<u>243,001</u>
Total Investments	<u>1,102,671</u>
Total Deposits, and Investments	<u>\$ 1,160,945</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

	September 30, 2022
Current Assets	
Cash and cash equivalents, unrestricted	\$ 16,859
Cash and cash equivalents, restricted	184,248
Investments, unrestricted	256,259
Noncurrent Assets	
Cash and cash equivalents, restricted	105,946
Investments, restricted	597,633
Total Cash, Cash Equivalents and Investments	<u>\$ 1,160,945</u>

A. Deposits

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County mitigates custodial credit risk by generally requiring public funds to be deposited in a qualified public depository pursuant to State Statutes. Under the State Statutes, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depositories' collateral pledging level.

The pledging level may range from 25% to 150% depending upon the depositories' financial condition ranking from two nationally recognized financial rating services, as well as consideration of financial ratios, trends and other pertinent information. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

B. Investments

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

Under State Statutes and County Ordinances, the County is authorized to invest in obligations of the U.S. Government, its agencies and instrumentalities, the Florida Local Government Surplus Trust Fund or any intergovernmental investment pool, authorized pursuant to the Florida Interlocal Cooperation Act, repurchase agreements with primary

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

dealers, commercial paper, bonds, notes and obligations of the State of Florida or any municipality, political subdivision agreements with primary dealers, commercial paper, bonds, notes or obligations of the State of Florida or any municipality, political subdivision or agency or authority of the State, certificates of deposit, securities in certain open-end or closed-end investment companies or trusts, World Bank notes, bonds and discount notes, obligations of the Tennessee Valley Authority, certain money market funds and rated or unrated bonds, notes or instruments backed by the full faith of the government of Israel. The County may also invest in collateralized mortgage obligations, reverse repurchase agreements and asset-backed commercial paper with the approval of the County's Chief Financial Officer. County policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreements.

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

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

and/or Standard & Poor's Ratings Services. Investments in Sovereign bonds are allowable by the Broward County Investment Policy whether the bonds are rates or unrated. Investments in Securities and Exchange Commission registered money market funds must have the highest credit quality rating from a nationally recognized rating agency.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2022, the County's investments were held in the County's name. The County's investments are rated as follows:

Rating Service	Investment Type	Rating 2022
Standard & Poor's Rating Services	U.S. Treasuries	AA
	U.S. Agencies	AAA
	Commercial Paper	
	World Bank	AAA
	Money Market Mutual Funds	AAAm
	Sovereign Bonds	
Moody's Investors Services	U.S. Treasuries	Aaa
	U.S. Agencies	Aaa
	Commercial Paper	
	World Bank	Aaa
	Money Market Mutual Funds	Aaa-mf
	Sovereign Bonds	
Fitch	World Bank	AAA

Concentration of Credit Risk - The County places no limit on the amount that may be invested in securities of the US Government and U.S. Agencies thereof, or government-sponsored corporation securities. The County requires that

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

The investments under this disclosure are detailed below:

Portfolio	September 30 2022
Federal Agricultural Mortgage Corporation	23.22%
Federal Home Loan Bank	29.63%
Federal Farm Credit Bank	17.34%
U.S. Treasury	17.91%

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

As of September 2022		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	Total		
Investments by Fair Value Level			
Debt Securities:			
U.S. Treasuries	\$ 286,275	\$ -	\$ 286,275
U.S. Agencies	557,111		557,111
World Bank	16,284		16,284
Total Debt Securities	859,670	-	859,670
Money Market Mutual Funds	243,001	243,001	-
Total Investments at Fair Value	\$ 1,102,671	\$ 243,001	\$ 859,670

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

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

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

NOTE 3 - RESTRICTED ASSETS

Restricted assets of BCAD at September 30, 2022, represent amounts restricted for debt service and for construction and improvements of the FLL and HWO airport and aviation facilities under the terms of outstanding bond agreements. The bond reserve accounts represent 125% of the average annual principal and interest requirements for all series of bonds secured by the reserve account. The debt service accounts contain the principal and interest amounts required for payment due on October 1 in addition to funds restricted for future debt service payments. The PFC account contains amounts collected and receivables, but unspent. The bond construction accounts include bond proceeds available for the design and construction of major capital projects. Grant proceeds are amounts received from the sale of assets that were originally acquired through a grant.

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

	2022
Bond reserve accounts	\$ 161,162
Debt service accounts	272,031
Passenger facility charges account	242,776
Bond construction accounts	211,700
Grant proceeds	19,072
	<u>\$ 906,741</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3 - RESTRICTED ASSETS (Continued)

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

	September 30, 2022
Current Restricted Assets	
Cash and cash equivalents	\$ 182,428
Passenger facility charges receivable	7,691
Other accounts receivable	1,223
Due from other governments	10,000
Noncurrent Restricted Assets	
Cash and cash equivalents	107,700
Investments	597,699
	<u>\$ 906,741</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2022, are as follows (in thousands):

	Balance October 1, 2021	Increases	Decreases	Balance September 30, 2022
Capital assets not being depreciated:				
Construction in progress	\$ 343,291	\$ 80,911	\$ 314,317	\$ 109,885
Land and land improvements*	400,812	130	3,028	397,914
Total capital assets not being depreciated	744,103	81,041	317,345	507,799
Capital assets being depreciated and amortized:				
Buildings, facilities and other improvements**	3,685,024	318,433	-	4,003,457
Equipment	98,284	5,229	8,210	95,303
Equipment - leased	-	874	-	874
Total capital assets being depreciated and amortized	3,783,308	324,536	8,210	4,099,634
Less accumulated depreciation and amortization:				
Buildings, facilities and other improvements**	1,298,774	127,643	-	1,426,417
Equipment	56,412	10,419	8,210	58,621
Equipment - leased	-	194	-	194
Total accumulated depreciation and amortization	1,355,186	138,256	8,210	1,485,232
Total capital assets being depreciated and amortized, net	2,428,122	186,280	-	2,614,402
Total capital assets, net	\$ 3,172,225	\$ 267,321	\$ 317,345	\$ 3,122,201

* Includes Property held for leasing - land and land improvements in the amount of \$698,000

** Includes Property held for leasing – buildings, facilities and other improvements in the amount of \$718,776,000 with corresponding accumulated depreciation of \$284,248,000

NOTE 5 – LEASES

For the year ended September 30, 2022, BCAD's financial statements include the adoption of GASB Statement No. 87, Leases. GASB 87 differentiates accounting treatment of leases that are classified as regulated and non-regulated.

A. Regulated Leases

Regulated leases are defined by GASB 87 to be agreements between airports and aeronautical users that are subject to external laws, regulations, or legal rulings that regulate rates and entitles users to access. The Airport's lease terms range from 1 year to 30 years.

Aeronautical use is comprised of facilities and services used for Commercial Air, General Aviation, and by Airline Services Providers that facilitate the movement aircraft, passengers, baggage, cargo, and mail. These leases are for assets that include terminal passenger holdrooms, operations space, baggage service areas, terminal apron areas, jet bridges, ticket counters, ticket offices, hangars, and land. The Airport's regulated leases are those for services relating to:

Commercial Air Service: Commercial air transport is defined as an aircraft operation involving the transport of passengers, cargo or mail for remuneration or hire. It includes scheduled and non-scheduled air transport operations

General Aviation: General aviation includes commercial activities such as flight instruction, aerial work, and corporate and business aviation, as well as non-commercial activities such as recreational flying.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5 – LEASES Continued

Airline Services Providers: Airline services provides are those required by airlines that are related to the movement of aircraft, passengers, baggage, mail, cargo.

In accordance with GASB 87, the Airport does not recognize a lease receivable and a deferred inflow of resources for regulated leases.

For the fiscal year ended September 30, 2022, the regulated lease revenue was as follows (in thousands):

Fixed	Variable	Total
\$ 58,426	\$ 678	\$ 59,104

A summary of future lease revenues for regulated leases is as follows (in thousands):

Fiscal Year (s)	Principal	Interest	Total
2023	\$ 59,448	\$ 3,200	\$ 62,648
2024	59,149	2,760	61,910
2025	59,201	2,319	61,520
2026	59,149	1,875	61,023
2027	7,330	1,581	8,910
2028 -2032	28,962	6,303	35,265
2033 -2037	26,236	3,865	30,100
2038 -2042	17,110	1,807	18,916
2043 -2047	7,072	759	7,831
2048 -2052	4,140	147	4,288
Total	<u>\$ 327,797</u>	<u>\$ 24,616</u>	<u>\$ 352,413</u>

B. Non-regulated Leases

Under GASB 87 a lessor of non-regulated leases is required to recognize a lease receivable and a deferred inflow of resources. Lease payments received in exchange for the contracted use of these assets is based on a fixed rental amount paid in intervals outlined within the lease agreement (monthly, quarterly, or annually), a variable payment directly related to the type of business performed (with or without a minimum annual guarantee), or a combination of both fixed and variable payments. Fixed rental amounts, as well as minimum annual guarantee amounts, are reflected within the GASB 87 lease receivable calculations, while true variable rents paid are not included in the lease receivable calculation.

For the fiscal year ended September 30, 2022, the Airports non-regulated lease terms range from 1 year to 21 years. The non-regulated leased property provided lease revenue of \$55,139,000, interest revenue of \$6,037,000, and variable revenue of \$18,780,000. The total lease receivable was \$422,018,000, of which \$56,095,000 was current and \$365,923,000 was noncurrent. The total deferred inflow of leases was \$418,907,000.

For the fiscal year ended September 30, 2022, the regulated lease revenue was as follows (in thousands):

Fixed	Variable	Total
\$ 55,139	\$ 18,780	\$ 73,919

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5 – LEASES Continued

A summary of future lease revenues for non-regulated leases is as follows (in thousands)

Fiscal Year(s)	Principal	Interest	Total
2023	\$ 56,095	\$ 5,325	\$ 61,420
2024	55,687	4,597	60,284
2025	54,815	3,862	58,677
2026	55,020	3,122	58,142
2027	53,930	2,378	56,308
2028 - 2032	141,866	3,836	145,702
2033 - 2037	4,605	26	4,631
Total	<u>\$ 422,018</u>	<u>\$ 23,146</u>	<u>\$ 445,164</u>

Under GASB 87 a lessee of non-regulated leases is required to recognize lease liability and an intangible right-to-use lease asset. Lease payments for contracted use of these assets is based on a fixed rental amount paid in intervals outlined within the lease agreement (monthly, quarterly, or annually), a variable payment directly related to the type of business performed (with or without a minimum annual guarantee), or a combination of both fixed and variable payments. Fixed rental amounts, as well as minimum annual guarantee amounts, are reflected within the GASB 87 lease receivable calculations, while true variable rents paid are not included in the lease receivable calculation.

For the fiscal year ended September 30, 2022, implied payments for non-regulated leased property totaled \$194,300 and attributed interest expense was \$2,170,000.

A summary of future payments for implied leases for non-regulated leases is as follows (in thousands):

Fiscal Year(s)	Principal	Interest	Total
2023	\$ 193	\$ 4	\$ 197
2024	195	3	198
2025	196	1	197
2026	98	-	98
Total	<u>\$ 682</u>	<u>\$ 8</u>	<u>\$ 690</u>

NOTE 6 - AIRLINE-LEASE AND USE AGREEMENT

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

The agreements require that landing fees and terminal rentals be reviewed annually and adjusted, as necessary, so that the total revenue is sufficient to meet BCAD's requirements, as determined by the signatory airline agreements. At the end of the fiscal year, after all required deposits have been made, any remaining excess funds are used to meet the requirements in the following fiscal year. Excess funds, if available, are recorded as unearned revenue by BCAD and have been included in current liabilities payable from unrestricted assets. For the year ended

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6 - AIRLINE-LEASE AND USE AGREEMENT (Continued)

September 30, 2022 these funds amounted to \$0. If net revenues (operating revenues less operating expenses) are insufficient to fully fund all required deposits, the deficit can be remediated through a settlement invoice to the airlines and/or a recapture through the subsequent fiscal year's rates.

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended September 30, 2022 is as follows (in thousands):

	Balance October 1, 2021	Additions	Deductions	Balance September 30, 2022	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds payable	\$ 2,374,770	\$ -	\$ 90,655	\$ 2,284,115	\$ 95,245	\$ 2,188,870
Unamortized bond premiums and discount	190,147	-	16,196	173,951	-	173,951
Leases payable	-	489		489		489
Compensated absences	5,915	4,524	4,564	5,875	3,386	2,489
Total other post employment benefits liability	2,691	-	1,144	1,547	-	1,547
Net pension liability	12,311	20,914	-	33,225	-	33,225
Total	<u>\$ 2,585,834</u>	<u>\$ 25,927</u>	<u>\$ 112,559</u>	<u>\$ 2,499,202</u>	<u>\$ 98,631</u>	<u>\$ 2,400,571</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, 2022 (in thousands)*:

Airport System Revenue Bonds	Primary Purpose	Type	Interest Payment		Optional (O) or Mandatory (M) Redemption *	Year	Final Maturity Date	Original Amount Issued	Retired/ Refunded	Outstanding September 30
			Rate %	Date						
2001J-2	Improvements	Term	6.9	4-1 & 10-1	M	2016	10/1/2021	\$ 75,460	\$ (75,460)	\$ -
2012P-1	Refunding	Serial	3.0-5.0	4-1 & 10-1	O	2022	10/1/2026	217,080	(130,175)	86,905
2012P-2	Refunding	Serial	3.25-5.0	4-1 & 10-1	O	2022	10/1/2026	92,775	(66,075)	26,700
2012Q-1	Improvements	Serial	3.0-5.0	4-1 & 10-1	O	2022	10/1/2033	283,600	(283,600)	-
2012Q-1	Improvements	Term	4.0-5.0	4-1 & 10-1	M	2034	10/1/2042	232,020	(14,470)	217,550
2012Q-2	Improvements	Term	5.0	4-1 & 10-1	M	2033	10/1/2042	53,910	(43,110)	10,800
2013A	Improvements	Term	5.125-5.25	4-1 & 10-1	M	2034	10/1/2043	83,960	(64,015)	19,945
2013B	Improvements	Term	5.00-5.25	4-1 & 10-1	M	2034	10/1/2043	28,005	(19,780)	8,225
2013C	Improvements	Term	5.125-5.25	4-1 & 10-1	M	2034	10/1/2043	107,710	(82,405)	25,305
2015A	Improvements	Serial	2.0-5.0	4-1 & 10-1	O	2025	10/1/2037	248,120	(33,170)	214,950
2015A	Improvements	Term	5.0	4-1 & 10-1	M	2038	10/1/2040	61,990		61,990
2015A	Improvements	Term	5.0	4-1 & 10-1	M	2041	10/1/2045	116,205		116,205
2015B	Improvements	Term	5.0	4-1 & 10-1	O	2025	10/1/2045	9,575		9,575
2015C	Refunding	Serial	2.0-5.0	4-1 & 10-1	M	2025	10/1/2025	46,305	(26,580)	19,725
2017	Improvements	Serial	5.0	4-1 & 10-1	O	2027	10/1/2037	138,495	(9,760)	128,735
2017	Improvements	Term	5.0	4-1 & 10-1	M	2038	10/1/2042	65,640		65,640
2017	Improvements	Term	5.0	4-1 & 10-1	M	2043	10/1/2047	83,770		83,770
2019A	Improvements	Serial	5.0	4-1 & 10-1	O	2029	10/1/2039	219,110	(12,755)	206,355
2019A	Improvements	Term	5.0	4-1 & 10-1	O	2029	10/1/2044	38,350		38,350
2019A	Improvements	Term	4.0	4-1 & 10-1	O	2029	10/1/2044	58,030		58,030
2019A	Improvements	Term	5.0	4-1 & 10-1	O	2029	10/1/2049	49,715		49,715
2019A	Improvements	Term	4.0	4-1 & 10-1	O	2029	10/1/2049	69,855		69,855
2019B	Refunding	Serial	5	4-1 & 10-1	M	2029	10/1/2029	61,630	(4,310)	57,320
2019C	Refunding	Serial	1.844-3.084	4-1 & 10-1	O	2029	10/1/2034	336,520	(11,465)	325,055
2019C	Refunding	Term	3.477	4-1 & 10-1	O	2029	10/1/2043	383,415		383,415
										<u>\$ 2,284,115</u>

*The optional and mandatory redemptions are at par

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 95,245	\$ 95,320	\$ 190,565
2024	99,660	90,679	190,339
2025	86,860	87,044	173,904
2026	89,670	82,811	172,481
2027	104,280	78,030	182,310
2028-2032	317,790	279,901	597,691
2033-2037	409,945	277,325	687,270
2038-2042	501,935	183,236	685,171
2043-2047	445,070	74,616	519,686
2048-2050	133,660	10,679	144,339
	<u>\$ 2,284,115</u>	<u>\$ 1,259,641</u>	<u>\$ 3,543,756</u>

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

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

	<u>2022</u>
Current year revenues pledged	\$ 183,708
Current year debt service	\$ 135,486
Percentage of debt service to pledged revenues	73.8%
 Total future revenues pledged*	 \$ 3,543,756
Passenger facility charge, grant and bond proceeds offset	(949,462)
Net future revenues pledged	<u>\$ 2,594,294</u>

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

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

The Series 2019A (AMT) bonds were issued with a par value of \$435,060,000 and interest rate ranging from 4.000% to 5.000%. The issuance included a premium of \$74,593,000 resulting in a true interest cost of 3.354%. The Series 2019A Bonds were issued to provide funding for terminal renovation and expansion projects and related airport improvement projects.

The Series 2019B (AMT) refunding bonds were issued with a par value of \$61,630,000 and a coupon interest rate of 5%. The issuance included a premium of \$13,100,000 resulting in a true interest cost of 1.956%. The Series 2020B bonds refunded, on a current basis, the outstanding Series 2009O (AMT) bonds with a par value totaling

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

\$75,105,000. This results in a Deferred Outflow in the amount of \$1,456,000 over 10 years. This will yield an economic gain of \$16,612,000 on a present value basis.

The Series 2019C (Taxable) refunding bonds were issued at par value of \$719,935,000 with interest rates ranging from 1.844% to 3.477%. The transaction resulted in a true interest cost of 3.255%. The Series 2020C bonds refunded, on an advance basis, multiple CUSIPS spanning the following Series: 2012P-1, 2012P-2, 2012Q-1, 2012Q-2, 2013A, 2013B and 2013C. The total amount advance refunded was \$642,740,000. This results in a Deferred Outflow in the amount of \$52,571,000 over 24 years. This will yield an economic gain of \$69,856,000 on a present value basis.

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

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

NOTE 8 - CAPITAL CONTRIBUTIONS

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

	2022
Federal Grants	\$ 10,466
State of Florida Grants	1,548
	<u>\$ 12,014</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9 - RISK MANAGEMENT

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

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

Insurance Policies Exclusive to BCAD:

BCAD maintains a specialized schedule fleet policy for fire trucks that service the FLL facility. The limit of coverage is \$1,250,000 per loss, subject to a deductible of \$25,000 for each occurrence.

Property Insurance - BCAD has a property portfolio structure comprising over \$3.0 billion in insurable values. The property insurance purchased affords \$500,000,000 in coverage per occurrence with a deductible of \$250,000. Losses attributable to named windstorm (hurricane) are subject to a limit of \$125,000,000 per occurrence with a deductible of \$50,000,000. Flood losses are subject to a limit of \$25,000,000 per occurrence with a minimum deductible of \$500,000. In the event a windstorm or flood is declared a disaster, BCAD would be eligible for public assistance under the FEMA disaster program. Coverage for property losses emanating from "Terrorism" are covered up to \$350,000,000 per occurrence, subject to a deductible of \$250,000.

BCAD has a separate property insurance policy, which insures the "**elevated section**" of the new runway with a policy limit of \$347,760,000, with a deductible of \$250,000 per occurrence. This policy excludes losses resulting from named windstorm events.

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

Environmental Liability Insurance - BCAD carries an environmental liability insurance policy with coverage limits of \$10,000,000 per occurrence and \$26,000,000 in the aggregate. BCAD is responsible for the first \$100,000 of each Pollution Condition or Indoor Environmental Condition and \$250,000 for all covered locations associated with FLL under this policy.

Cyber Liability Insurance - BCAD carries a cyber-liability policy.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

BCAD, as a department of the County, participates in the County's single-employer, defined benefit healthcare plan. The plan allows its employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue separate financial reports. BCAD had 471 and 461 OPEB active benefit eligible employees in the plan at September 30, 2022. The County, excluding BSO, had 235 and 237 inactive

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

employees who received benefit payments at September 30, 2022, whereas the number of BCAD's inactive employees is not available.

Funding Policy

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

Actuarial Methods and Assumptions

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

Significant methods and assumptions by year were as follows:

	2022
Healthcare inflation rate	2.60%
Projected Salary Increases	3.25%
Source of Mortality Assumptions	Various PUB-2010 Generational Tables projected generationally using Scale MP-2021
Healthcare Cost Trend Rates	7.50% initial 4.50% - ultimate
Discount Rate	4.77%
Projected Cash flows	Pay as you go
Municipal Bond rate	20- Year Tax Exempt General Obligation
Bond Rate Basis	Average Rating of AA/Aa or higher
Actuarial valuation date	9/30/2022
Measurement date	9/30/2022
Actuarial cost method	Entry age

Changes to Total OPEB Liability and Related Ratio

As of September 30, 2022 the total OPEB Liability of \$1,547,000 was determined by an actuarial valuation with the measurement date of September 30, 2022.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Below are the details regarding BCAD's total OPEB liability for the period from October 1, 2021 to September 30, 2022 (in thousands):

Total OPEB Liability recognized at 10/1/21	\$ 2,691
Changes for Fiscal Year:	
Service Cost	181
Interest	71
Difference between actual and expected xperience	(688)
Assumption changes	(594)
Benefit Payments	(114)
Net Change in total OPEB	(1,144)
Total OPEB Liability at 9/30/22	<u>\$ 1,547</u>
Covered Employee Payroll	\$ 28,138
Total as a percentage of Covered employee payroll	5.50%

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

The following presents the total BCAD OPEB liability as of September 30, 2022 as well as what the total BCAD OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.77 %) or 1 percentage point higher (5.77 %) than the current discount rate (in thousands):

As of September 30, 2022	1% Decrease	Current Discount Rate	1% Increase
Trend Rates	3.77%	4.77%	5.77%
OPEB Liability	\$ 1,809	\$ 1,547	\$ 1,406

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

For the year ended September 30, 2022, the following presents for the total BCAD OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50% to 3.50%) and 1 percentage point higher (8.50% to 5.50%) than the current healthcare cost trend rates (in thousands):

As of September 30, 2022	1% Decrease	Current Trend Rates	1% Increase
Trend Rates	6.50% to 3.50%	7.50% to 4.50%	8.50% to 5.50%
OPEB Liability	\$ 1,364	\$ 1,547	\$ 1,876

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

For the year ended September 30, 2022, BCAD recognized OPEB expense of \$190,000. At September 30, 2022, BCAD reported deferred outflows and deferred inflows of resources related to OPEB for the following sources, respectively (in thousands):

As of September 30, 2022	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 255	\$ (759)
Change of assumptions or other inputs	214	(569)
Total	<u>\$ 469</u>	<u>\$ (1,328)</u>

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

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ (59)
2023	(59)
2024	(59)
2025	(59)
2026	(59)
Thereafter	(564)
	<u>\$ (859)</u>

NOTE 11 - RETIREMENT PLANS

Eligible BCAD employees, as employees of the County, participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments (COLA) and death benefits to plan members and beneficiaries. The Florida Legislature establishes and may amend the contribution requirements and benefit terms of all FRS plans.

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 – RETIREMENT PLANS (Continued)

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 6 years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after 8 years of creditable service. Regular Class and, SMSC members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 62 or at any age after 33 years of creditable service. Members in these classes initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Special Risk members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. Members in this class initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 60 or any age after 30 years of creditable service. Early retirement may be taken any time after vesting within 20 years of normal retirement age, however, there is a 5.0% benefit reduction for each year prior to the normal retirement age.

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

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 – RETIREMENT PLANS (Continued)

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

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

Contributions - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022, respectively, were as follows: Regular – 8.28% and 9.10%; Senior Management Service – 25.27% and 27.29%; Special Risk – 22.73% and 24.17%; and DROP participants – 15.32% and 16.68%. The employer contribution rates by job class for the periods July 1, 2021 through June 30, 2022 were as follows: Regular – 6.54%; Senior Management Service – 22.34%; Special Risk – 22.78%; and DROP participants – 12.37%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment. For the fiscal year ended September 30, 2022, contributions, included employee contributions of \$725,000, to the Pension Plan for BCAD totaled \$2,859,000.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2022, BCAD reported liabilities of \$25,099,000, for its proportionate share of the County's Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. BCAD's proportionate share of the County's net pension liability was based on its share of the County's 2021-2022 and 2018-2020 fiscal year contributions relative to the 2021-2022 and 2018-2020 fiscal year contributions of all participating members.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 – RETIREMENT PLANS (Continued)

At June 30, 2022, the BCAD's proportionate share was 0.07668%. The proportionate share for the BCAD at June 30, 2022 as compared to June 30, 2021 was an increase of 0.0013 percentage points.

For the fiscal year ended September 30, 2022, BCAD recognized pension expense of \$4,445,000. In addition, BCAD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

As of September 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,355	\$ -
Change of assumptions	3,514	-
Net difference between projected and actual earnings on Pension Plan investments	1,884	-
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	1,494	(141)
Pension Plan contributions subsequent to the measurement date	912	-
Total	<u>\$ 9,159</u>	<u>\$ (141)</u>

The deferred outflows of resources related to the Pension Plan, totaling \$912,000 for BCAD, resulting from contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2023. 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):

Years Ending September 30	
2023	\$ 2,080
2024	1,005
2025	(215)
2026	4,995
2027	241
Total	<u>\$ 8,106</u>

Actuarial Assumptions - The total pension liability in the July 1, 2022 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	6.70% net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2022 valuations were based on the results of an actuarial experience

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 – RETIREMENT PLANS (Continued)

study for the period July 1, 2013 through June 30, 2018. The assumptions used in the July 1, 2022 valuation were unchanged from those used in the prior valuation of July 1, 2021.

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:

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.6%	2.6%	1.1%
Fixed Income	19.8%	4.4%	4.4%	3.2%
Global Equity	54.0%	8.8%	7.4%	17.8%
Real Estate (Property)	10.3%	7.4%	6.3%	15.7%
Private Equity	11.1%	12.0%	8.9%	26.3%
Strategic Investments	3.8%	6.2%	5.9%	7.8%
	<u>100.0%</u>			
Assumed Inflation - Mean			2.4%	1.3%

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

Discount Rate - The discount rate used to measure the total pension liability was 6.70% in 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily share of the net pension liability calculated as of September 30, 2022, using the discount rates of 6.70%, as well as what the proportionate share of the net pension liability will be if it were calculated using the discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate (in thousands):

As of September 30, 2022	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
Proportional Share of the Net Pension Liability	\$43,407	\$25,099	\$9,791

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, 2022, BCAD reported payables in the amount of \$230,000, for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2022.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 – RETIREMENT PLANS (Continued)

B. HIS Plan

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

Benefits Provided - For the fiscal year ended September 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. The employer contributions are a percentage of gross compensation for all active FRS members. The employer contribution rates for the periods from July 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022 were 1.66% and 1.66%, respectively. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriate or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

For the fiscal year ended September 30, 2022, contributions to the HIS Plan for BCAD totaled \$584,000.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2022, BCAD reported liabilities of \$8,126,000, for its proportionate share of the County's HIS Plan's net pension liability. The net pension liabilities were measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. BCAD's proportionate share of the County's net pension liability was based on its share of the County's 2021-2022 fiscal year contributions relative to the 2021-2022 fiscal year contributions of all participating members. At June 30, 2022, BCAD's proportionate share was 0.09539%, which was a decrease of 0.00052 percentage points from its proportionate share measured at June 30, 2021.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 - RETIREMENT PLANS (Continued)

For the fiscal years ended September 30, 2022, BCAD recognized pension expense of \$653,000. In addition, BCAD reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources (in thousands):

As of September 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 307	\$ (44)
Change of assumptions	578	(1,563)
Net difference between projected and actual earnings on Pension Plan investments	15	
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	414	(192)
Pension Plan contributions subsequent to the measurement date	156	
Total	<u>\$ 1,470</u>	<u>\$ (1,799)</u>

The deferred outflows of resources as of September 30, 2022 related to the HIS Plan, totaling \$156,000 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, 2023. 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:

Years Ending September 30	
2023	\$ (53)
2024	-
2025	1
2026	(87)
2027	(238)
Thereafter	(108)
Total	<u>\$ (485)</u>

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2022 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities as of June 30, 2022. The total pension liabilities as of June 30, 2022, were determined using the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	3.54%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational PUB-2010 with Projection Scale BB-2018 tables.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 - RETIREMENT PLANS (Continued)

The actuarial assumptions that determined the total pension liability as of June 30, 2022 were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2022 was 3.54% with the change between the two measurement dates due to the changes in the applicable municipal bond index between the dates. 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.

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, 2022, using the discount rate of 3.54%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (3.16% and 4.54%) than the current rate (in thousands):

As of September 30, 2022

	<u>1% Decrease 2.54%</u>	<u>Current Discount Rate 3.54%</u>	<u>1% Increase 4.54%</u>
Proportional Share of the Net Pension Liability	\$9,297	\$8,126	\$7,157

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, 2021 and 2022, BCAD reported payables in the amount of \$44,000 for outstanding contributions to the HIS plan required for the fiscal year ended September 30, 2022.

Please refer to Required Supplementary Information Section for additional details.

C. Investment Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Invest Plan are established and may

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 - RETIREMENT PLANS (Continued)

be amended by the Florida State Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Effective July 1, 2012, allocations to the investment member's accounts, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular Class - 6.30%, Senior Management Service Class - 7.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the County.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Investment Plan pension expense for BCAD totaled \$1,010,000 for the fiscal year ended September 30, 2022.

Payables to the Investment Plan - At September 30, 2022, BCAD reported payables in the amount of \$75,000 for outstanding contributions to the Investment Plan required for the fiscal year ended September 30, 2022.

BCAD's proportionate share of the County Plans' net pension liability, deferred outflows of resources and deferred inflows of resources as of September 30, 2022, and pension expense/adjustment for the fiscal year ended September 30, 2022, was allocated to BCAD based on contributions. Amounts are as follows (in thousands):

	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense Adjustment
	2022	2022	2022	2022
Pension Plan	\$ (25,099)	\$ 9,159	\$ (141)	\$ 26,107
HIS Plan	(8,126)	1,470	(1,800)	(2,951)
Total	<u>\$ (33,225)</u>	<u>\$ 10,629</u>	<u>\$ (1,941)</u>	<u>\$ 23,156</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 12 - TRANSACTIONS WITH OTHER COUNTY DEPARTMENTS

BCAD reimburses the General Fund of the County for an allocated portion of certain support department costs, which include such services as management, administrative, fiscal, internal audit, legal, personnel, purchasing, computer services and information systems, and communication costs. Furthermore, BCAD is charged for the cost of services provided by the Risk Management, Building Code Services, Fleet Services and Print Shop Funds. The total cost for the above services was approximately \$18,445,000 for the year ended September 30, 2022. BCAD also pays the Water and Wastewater Fund, an enterprise fund of the County, for water. The water charges for the year ended September 30, 2022, totaled approximately \$2,555,000.

BCAD contracts directly with the Broward County Sheriff's Office for security services at FLL. The cost of these services was approximately \$27,458,000 for the year ended September 30, 2022.

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 \$13,590,000 for the year ended September 30, 2022.

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 year ended September 30, 2022, was approximately \$29,000. 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 year ended September 30, 2022, were approximately \$147,000.

At September 30, 2022, there was a net payable to \$10,864,000 other County funds.

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

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

The County is evaluating claims for additional compensation from Horsepower Electric allegedly arising out of the Roadway & Garage Wayfinding Signage Project. Horsepower Electric has asserted claims of \$400,000. County disputes the entitlement to these claims but is reviewing them to determine if any have merit, and if timely and properly preserved pursuant to the terms of the respective contracts.

In August 2022, a lawsuit was filed by Tutor Perini Fort Lauderdale-Hollywood Venture ("TPFLHV") against the County seeking damages allegedly arising out of contract work, extras, and delays encountered by TPFLHV during performance on the Terminal 4 Apron project. TPFLHV contends it is owed approximately \$13,000,000. The County disputes the claims asserted by TPFLHV. On September 16, 2022, County filed a counterclaim against the contractor for damages associated with defective work and false claims. Discovery has yet to begin in the case.

There are five lawsuits pending against the County arising out of the January 6, 2017 shooting at FLL. Each suit is identical in its allegations and name Delta Airlines, Allied Barton Security Services (contracted security), Broward County and the Broward Sheriff's Office as defendants. The cases assert claims for negligence and negligent security. The County has denied liability for the claims. The County's general liability insurance carrier is providing a complete defense and has acknowledged coverage for any damages that may result from the lawsuits. Additionally, recently the Florida Supreme court issued an opinion, in an unrelated case involving mass injuries and a public agency, concluding that with regard to the public agency and application of sovereign immunity and § 768.28, Fla. Stat. Ann.,

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

the incident was a single event. Meaning, Florida law would limit the County's exposure to the claims presented to \$200,000 per person but with a \$300,000 aggregate cap for the single event. Accordingly, any recovery from any resolution would not have a material adverse effect on the Airport System or BCAD's ability to pay debt service on the Series Bonds.

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

NOTE 14 – MAJOR CUSTOMERS

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

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

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

<u>Passenger Enplanements</u>	<u>2022</u>	
JetBlue Airways	3,234,501	20.9%
Spirit Airlines	4,495,891	29.1%
Southwest Airlines	2,226,324	14.5%
Delta Air Lines	1,769,216	11.5%
United Airlines	1,077,511	7.0%
American Airlines	980,014	6.4%
Air Canada	303,341	2.0%
Allegiant Air	444,309	2.9%
Silver Airways	104,015	0.7%
Others	762,173	5.0%
Total Enplanements	<u>15,397,295</u>	<u>100.0%</u>

NOTE 15 – SUBSEQUENT EVENTS

On January 31, 2023 BCAD settled a dispute with Munilla Construction Management LLC in the amount of \$10,020 million.

NOTE 16 – IMPLEMENTATION OF GASB STATEMENT NO. 87, LEASES

GASB Statement No. 87, Leases, was implemented during fiscal year 2022. The new standard requires the reporting of certain lease assets and liabilities, which were previously not reported. The result of these changes impacted the beginning lease receivable, right of use asset, lease liability, and deferred inflows of resources.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 16 – IMPLEMENTATION OF GASB STATEMENT NO. 87, LEASES (Continued)

	Lease Receivable	Deferred Inflow of Resources
Balances September 30, 2021, as previously reported	\$ -	\$ 20,924
Change to implement GASB No. 87	477,157	477,157
Balances October 1, 2021, as restated	<u>\$ 477,157</u>	<u>\$ 498,081</u>

	Right-to-use Asset	Lease Liability
Balances September 30, 2021, as previously reported	\$ -	\$ -
Change to implement GASB No. 87	874	874
Balances October 1, 2021, as restated	<u>\$ 874</u>	<u>\$ 874</u>

BROWARD COUNTY AVIATION DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
Unaudited

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

	2022	2021	2020	2019	2018
Service Cost	\$ 181	\$ 178	\$ 128	\$ 102	\$ 90
Interest	71	70	90	86	68
Difference between Actual and Expected Experience	(688)	(119)	266	(58)	60
Assumptions Changes	(594)	(8)	400	160	(26)
Benefits Payments.	(114)	(128)	(108)	(101)	(96)
Net Change in OPEB	(1,144)	(7)	776	189	96
Total OPEB Liability beginning	\$ 2,691	\$ 2,698	\$ 1,922	\$ 1,733	\$ 1,637
Total OPEB Liability ending	\$ 1,547	\$ 2,691	\$ 2,698	\$ 1,922	\$ 1,733
Covered Employee Payroll	\$ 28,138	\$ 27,349	\$ 28,205	\$ 24,647	\$ 24,967
Total as a percentage of Covered Employee Payroll	5.50%	9.84%	9.57%	6.94%	6.94%

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

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

**BROWARD COUNTY AVIATION DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
Unaudited**

**Schedule of the Proportionate Share of the Net Pension Liability
Florida Retirement System Pension Plan
Last Ten Fiscal Years¹
(in Thousands)**

	2022	2021	2020	2019	2018	2017	2016 ²	2015 ²	2014 ²
BCAD's proportion of the net pension liability (asset)	0.07668%	0.07655%	0.07209%	0.07314%	0.06695%	0.05398%	0.05222%	0.05442%	0.05484%
BCAD's proportionate share of the net pension liability (asset)	\$ 25,099	\$ 2,408	\$ 27,258	\$ 20,570	\$ 17,105	\$ 15,968	\$ 13,186	\$ 7,029	\$ 3,347
BCAD's covered payroll	\$ 26,427	\$ 25,804	\$ 26,446	\$ 26,446	\$ 23,848	\$ 20,343	\$ 17,906	\$ 16,898	\$ 16,706
BCAD's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	94.98%	9.33%	103.07%	77.78%	86.48%	78.48%	73.63%	41.60%	20.02%
Plan fiduciary net position as a percentage of the total pension liability	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.00%

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

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

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

	2022	2021	2020	2019	2018	2017	2016 ²	2015 ²	2014 ²
Contractually required contribution	\$ 2,859	\$ 2,551	\$ 2,229	\$ 2,068	\$ 1,796	\$ 1,463	\$ 1,268	\$ 1,195	\$ 1,157
Contributions in relation to the contractually required contribution	\$ (2,859)	\$ (2,551)	\$ (2,229)	\$ (2,068)	\$ (1,796)	\$ (1,463)	\$ (1,268)	\$ (1,195)	\$ (1,157)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCAD's covered payroll	\$ 26,622	\$ 25,814	\$ 26,541	\$ 26,342	\$ 23,967	\$ 20,806	\$ 18,749	\$ 16,890	\$ 16,695
Contributions as a percentage of covered payroll	10.74%	9.88%	8.40%	7.85%	7.50%	7.03%	6.76%	7.08%	6.93%

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

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

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

**BROWARD COUNTY AVIATION DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
Unaudited**

**Schedule of the Proportionate Share of the Net Pension Liability
Florida Retirement System Health Insurance Subsidy Plan
Last Ten Fiscal Years¹
(in Thousands)**

	2022	2021	2020	2019	2018	2017	2016 ²	2015 ²	2014 ²
BCAD's proportion of the net pension liability (asset)	0.09539%	0.09591%	0.09850%	0.09848%	0.08922%	0.07018%	0.06900%	0.06779%	0.06807%
BCAD's proportionate share of the net pension liability (asset)	\$ 8,126	\$ 9,903	\$ 9,929	\$ 8,645	\$ 7,799	\$ 7,504	\$ 8,041	\$ 6,914	\$ 6,365
BCAD's covered payroll	\$ 34,801	\$ 33,929	\$ 34,177	\$ 32,912	\$ 29,820	\$ 25,059	\$ 17,906	\$ 20,604	\$ 20,260
BCAD's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.35%	29.19%	29.05%	26.27%	26.15%	29.95%	44.91%	33.56%	31.42%
Plan fiduciary net position as a percentage of the total pension liability	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

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

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

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

	2022	2021	2020	2019	2018	2017	2016 ²	2015 ²	2014 ²
Contractually required contribution	\$ 584	\$ 564	\$ 572	\$ 555	\$ 499	\$ 427	\$ 383	\$ 279	\$ 246
Contributions in relation to the contractually required contribution	\$ (584)	\$ (564)	\$ (572)	\$ (555)	\$ (499)	\$ (427)	\$ (383)	\$ (279)	\$ (246)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCAD's covered payroll	\$ 35,186	\$ 33,951	\$ 34,432	\$ 33,512	\$ 30,549	\$ 25,680	\$ 23,071	\$ 20,290	\$ 20,276
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.63%	1.66%	1.66%	1.38%	1.21%

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

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

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – OTHER POSTEMPLOYMENT BENEFITS INFORMATION

BCAD did not have plan assets accumulated in a trust. The discount rate used to measure the total OPEB liability at September 30, 2022 was increased to 4.77% from 2.43%. The discount rate will be updated annually to reflect market conditions as of the measurement date.

NOTE 2 – PENSION INFORMATION

The discount rate used to measure the pension liability of the Pension Plan at June 30, 2022 was 6.70%. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The rate of return assumption used in the June 30, 2022 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes, which differs from the rate used for funding purposes, which is used to establish the contribution rates of the Plan.

BROWARD COUNTY AVIATION DEPARTMENT
SUPPLEMENTARY INFORMATION

Schedule of Revenue Bond Debt Service Coverage

(in Thousands)

	2022
Revenues	\$ 323,115
Interest income*	7,444
Current expenses	(216,975)
Net revenues	113,584
Transfer from General Purposes & Rate Stabilization Account	70,062
Net revenues and transfers available for debt service	<u>\$ 183,646</u>
Debt service	
Series 2012P-1 Bonds	28,470
Series 2012P-2 Bonds	11,608
Series 2012Q-1 Bonds	21,600
Series 2012Q-2 Bonds	3,045
Series 2013A Bonds	4,634
Series 2013B Bonds	1,617
Series 2013C Bonds	5,880
Series 2015A Bonds	28,577
Series 2015B Bonds	479
Series 2015C Bonds	6,251
Series 2017 Bonds	19,347
Series 2019A Bonds	27,171
Series 2019B Bonds	5,461
Series 2019C Bonds	28,678
Passenger facility charge and grant offset	(55,035)
Total debt service	<u>\$ 137,783</u>
Debt service coverage	133%
Required debt service coverage per bond resolution	125%

* Interest income excludes a net unrealized loss on investments of \$45,315 for fiscal year 2022. This also includes \$6,037 of interest on leases.

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

Independent Auditor's Report

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 (*Government Auditing Standards*), the financial statements of the Broward County Aviation Department (the BCAD) of Broward County, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the BCAD's basic financial statements, and have issued our report thereon dated March 27, 2023. Our report contained emphasis of matter paragraphs related to the basis of presentation of the basic financial statements and the adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

RSM VS LLP

Fort Lauderdale, Florida
March 27, 2023