



Broward County Aviation Department
A Major Fund of Broward County, Florida
Financial Statements
For the Year Ended September 30, 2023

BROWARD COUNTY AVIATION DEPARTMENT
 FINANCIAL STATEMENTS
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 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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RSM US LLP

Independent Auditor's Report

Honorable Board of County Commissioners
Broward County, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Broward County Aviation Fund (the BCAF), an enterprise fund of Broward County, Florida (the County), as of and for the year ended September 30, 2023, and the related notes to the 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 BCAF, an enterprise fund of the County, as of September 30, 2023, and the changes in its financial position and 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 County 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 Matter

As discussed in Note 1, the financial statements present only the BCAF and do not purport to, and do not, present fairly the financial position of Broward County, Florida, as of September 30, 2023, 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.

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 County'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 financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 BCAF's 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 25, 2024, on our consideration of the BCAF'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 BCAF'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 BCAF's internal control over financial reporting and compliance.

RSM US LLP

Fort Lauderdale, Florida
March 25, 2024

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, 2023. 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 2023

- BCAD's assets and deferred outflows of resources exceeded liabilities and deferred inflows at the close of fiscal year 2023 by \$1.8 billion.
- Total revenue bonds payable was \$2.35 billion at September 30, 2023, a decrease of \$110.1 million, or 4.5%, over fiscal year 2022, attributed to the repayment of bond principal.
- Operating revenues were \$304.7 million in fiscal year 2023, which represents a 2.9% decrease over fiscal year 2022. Enplanements and landed weights showed increases of 11.2% and 9.0%. Other non-airline revenues such as parking, concessions, general aviation, cargo, and miscellaneous increased by 13.2%, 47.8%, 17.5%, 39.3%, and 65.7% respectively. However, non-airline terminal rents and other rents decreased by 9.2%.
- Operating expenses were \$259.4 million in fiscal year 2023, representing a 19.6% increase over fiscal year 2022. The increase is mainly due to increases in insurance, general and administrative, as well as maintenance, equipment and supplies expenditures.
- Capital contributions were \$6.3 million in fiscal year 2023 and are comprised of amounts received from the Federal Aviation Administration's (FAA), and Florida Department of Transportation (FDOT).
- The net position increased by \$32.3 million, or 1.8%, over fiscal year 2022.

Activity Highlights

Passenger enplanements at FLL increased by 11.2% during fiscal year 2023 as travel continued to increase. The increase in commercial aviation operations was 9.9% while cargo operations decreased 3.6% and general aviation

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

operations decreased 3.0%, thus resulting in an overall increase in aircraft operations in fiscal year 2023 of 2.9% compared with fiscal year 2022.

Below is a comparative table of activities by fiscal year:

| Activity | Fiscal Years Ended September 30 | |
|------------------------------|---------------------------------|------------|
| | 2023 | 2022 |
| Enplanements | 17,116,674 | 15,397,295 |
| Landed weight (1,000 pounds) | | |
| Passenger airlines | 17,546,575 | 15,959,240 |
| Cargo airlines | 497,577 | 516,142 |
| General aviation | 652,090 | 672,177 |
| Total landed weight | 18,696,242 | 17,147,559 |
| Aircraft operations | 292,965 | 284,762 |

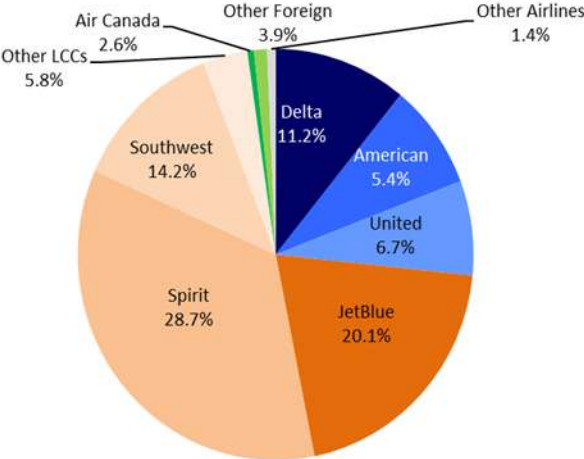
Airline Market Share and Passenger Enplanements

In fiscal year 2023, the nine Signatory Airlines represented 92.4% of enplanements, of which the top five airlines totaled 80.9%. This diversity reduces the reliance on the performance of one dominant airline.

| Passenger Enplanements | Fiscal Years Ended September 30 | | | |
|------------------------|---------------------------------|-------------|-------------------|-------------|
| | 2023 | | 2022 | |
| Spirit Airlines | 4,900,677 | 28.7% | 4,495,891 | 29.2% |
| JetBlue Airways | 3,447,054 | 20.1% | 3,234,501 | 21.0% |
| Southwest Airlines | 2,429,326 | 14.2% | 2,226,324 | 15.5% |
| Delta Air Lines | 1,913,782 | 11.2% | 1,769,216 | 11.5% |
| United Airlines | 1,149,833 | 6.7% | 1,077,511 | 7.0% |
| American Airlines | 917,531 | 5.4% | 980,014 | 6.4% |
| Air Canada | 448,452 | 2.6% | 303,341 | 2.0% |
| Allegiant Air | 460,120 | 2.7% | 444,309 | 2.9% |
| Silver Airways | 143,317 | 0.8% | 104,015 | 0.7% |
| Others | 1,306,582 | 7.6% | 762,173 | 5.0% |
| Total Enplanements | 17,116,674 | 100% | 15,397,295 | 100% |

BROWARD COUNTY AVIATION DEPARTMENT
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The Low Cost Carriers' (LCC) market share of enplanements (shaded in orange hues below) was 68.8% in fiscal year 2023, which represents a decrease of 1.9 percentage points compared with fiscal year 2022 and a significant increase from the LCC's 59.9% market share 10 years ago.



Overview of the Financial Statements

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

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

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

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

The notes to the financial statements provide required disclosures and other information that are essential to the full understanding of data provided in the statements. In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the progress in funding the obligation to provide 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, 2023 and 2022 (in thousands):

| Net Position | Fiscal Years Ended September 30 | |
|---|---------------------------------|---------------------|
| | 2023 | 2022 |
| Assets | | |
| Current and other assets | \$ 1,679,848 | \$ 1,650,438 |
| Capital assets, net | 3,016,335 | 3,122,201 |
| Total assets | 4,696,183 | 4,772,639 |
| Deferred outflow of resources | 55,010 | 58,493 |
| Liabilities | | |
| Current liabilities | 270,418 | 229,460 |
| Noncurrent liabilities | 2,300,662 | 2,400,571 |
| Total liabilities | 2,571,080 | 2,630,031 |
| Deferred inflow of resources | 368,937 | 422,176 |
| Net investment in capital assets ¹ | 827,752 | 1,041,522 |
| Restricted | 518,410 | 485,090 |
| Unrestricted | 465,014 | 252,313 |
| Total Net Position | \$ 1,811,176 | \$ 1,778,925 |

¹FY2023 Net investment in capital assets adjusted per GFOA checklist

Total net position as of September 30, 2023 was \$1.81 billion, representing an increase of \$32.6 million, or 1.8% compared to 2022.

At September 30, 2023, 45.7% of BCAD's net position is represented by its net investment in capital assets. These capital assets are used to provide services to passengers and visitors to the airports. The restricted portion (28.6% at September 30, 2023), 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 (25.6% at September 30, 2023) may be used to meet any of BCAD's ongoing obligations.

Capital assets, net of depreciation decreased by \$105.9 million in fiscal year 2023 and \$50.0 million in fiscal year 2022. The decrease is mainly attributable renovations in Terminal 2, 3, and 4 which were completed and moved to capital assets in late fiscal year 2022 thus increasing depreciation expense in fiscal year 2023.

Current and other assets at September 30, 2023, totaled \$1.68 billion, representing an increase of \$29.4 million, or 1.8 %, compared to September 30, 2022.

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, and a gain on refunding from a bond refunding during fiscal year 2017 that is reported as a deferred outflow of resources. 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 decreased \$1.1 million in fiscal year 2023 compared to fiscal year 2022 and the level of deferred inflows on pensions decreased by \$0.3 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 \$472,000 and \$469,000 in fiscal years 2023 and 2022 respectively, and deferred inflows on OPEB are \$1.3 million in each of fiscal years 2023 and 2022 respectively. The sixth item relates to the deferred variances according to GASB Statement No. 87, *Leases*, 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 \$366.0 million in fiscal year 2023 compared to \$418.9 million in fiscal year 2022.

Current liabilities at September 30, 2023, are \$270.4 million representing an increase of \$41.0 million, or 17.9%, over the prior year. This is attributable to an increase in unearned revenue, deposits, and revenue bonds payable partially offset by a decrease in accounts payable.

Noncurrent liabilities decreased by \$99.9 million, or 4.2%, during fiscal year 2023 compared to fiscal year 2022 mainly due to the repayment of bond principal.

At September 30, 2023, there are \$159.1 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, 2022, there were \$174.0 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, 2023 and 2022 (in thousands):

| Summary of Revenues, Expenses and Changes in Net Position | Fiscal Years Ended September 30 | |
|--|---------------------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Operating Revenues | \$ 304,710 | \$ 313,836 |
| Operating Expenses | 259,354 | 216,975 |
| Operating income before depreciation | 45,356 | 96,861 |
| Depreciation and amortization | 160,908 | 138,256 |
| Operating (Loss) Income | (115,552) | (41,395) |
| Nonoperating Revenues (Expenses) | 151,744 | (36,012) |
| Capital Contributions and extraordinary items¹ | (3,941) | 12,014 |
| Change in Net Position | 32,251 | (65,393) |
| Total Net Position - Beginning of Year | 1,778,925 | 1,844,318 |
| Total Net Position - End of Year | \$ 1,811,176 | \$ 1,778,925 |

¹ FY2023 includes asset impairment of \$10.2M due to extraordinary flood event in April 2023

In fiscal year 2023, operating revenues decreased by \$9.1 million, or 2.9%. Operating expenses increased \$42.4 million, or 19.6%, compared to the same period last year.

Overall, BCAD's net position increased by \$32.3 million in fiscal year 2023 compared to a decrease of \$65.4 million during fiscal year 2022. 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

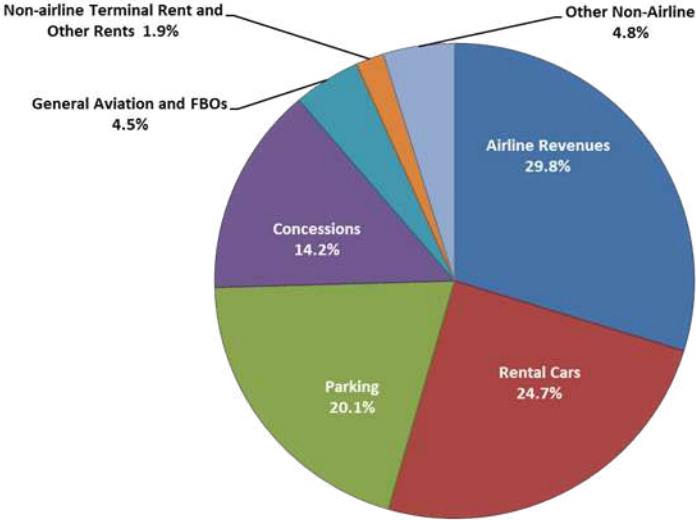
Operating Revenues

The major sources of operating revenues for the fiscal years ended September 30, 2023 and 2022 are (in thousands):

| Operating Revenues | Fiscal Years Ended September 30 | |
|--|---------------------------------|-------------------|
| | 2023 | 2022 |
| Airline revenues | \$ 90,695 | \$ 126,843 |
| Rental cars | 75,243 | 75,556 |
| Parking | 61,259 | 54,102 |
| Concessions ¹ | 43,269 | 29,283 |
| General aviation and fixed based operators | 13,829 | 11,772 |
| Non-airline terminal rent and other rents | 5,761 | 6,348 |
| North Perry Airport | 2,417 | 2,012 |
| Cargo | 4,679 | 3,358 |
| Miscellaneous operating revenues | 7,558 | 4,562 |
| Total Operating Revenues | \$ 304,710 | \$ 313,836 |

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

Fiscal year 2023 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 \$36.1 million or 28.5%, in fiscal year 2023, in accordance with the residual rate-making formula in the airline agreements; however, increased \$32.3 million or 1.9% when excluding the airline revenue adjustment. This increase was driven by the increase in airline activity compared to fiscal year 2022. Airline revenues represented 29.8% of overall operating revenues in fiscal year 2023, resulting in a CPE of \$7.34 that is less than the prior year CPE of \$8.03.

| Airline Cost per Enplanement | Fiscal Years Ended September 30 | |
|--|---------------------------------|------------|
| (in thousands) | 2023 | 2022 |
| Airline revenues | \$ 90,695 | \$ 126,843 |
| Take out: Airline revenue adjustment | 35,118 | (3,343) |
| Airline revenues, excluding revenue adjustment | \$ 125,813 | \$ 123,500 |
| Enplaned passengers | 17,116,674 | 15,397,295 |
| Average Cost Per Enplanement (CPE) | \$7.34 | \$8.03 |

Non-airline revenues represented 70.2% of total operating revenues in fiscal year 2023. 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 2023 due to increased passenger activity. Non-airlines revenues represented 59.5% in 2022.

Rental car revenues, including customer facility charges ("CFCs") and rental car commissions decreased marginally by \$0.3 million or 0.4% in fiscal year 2023 when compared to fiscal year 2022. Rental car revenues represented the largest source of non-airline revenues in fiscal year 2023 at 24.7% 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.

Parking revenues increased by \$7.2 million or 13.2% in fiscal year 2023. At 20.1% of total operating revenues for fiscal year 2023, the County-owned parking facilities at FLL are some of the largest sources of revenues other than payments by the airlines and rental car revenue. Since fiscal year 2008 passengers have increasingly sought alternative transportation to and from the airport, including the use of TNCs and a shift toward less expensive off-site airport parking, that that behavior seems to have shifted post the COVID 19 pandemic. The parking facilities also compete with several off-airport private parking operators that provide free shuttle service to their customers.

BROWARD COUNTY AVIATION DEPARTMENT
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Concession revenues (excluding rental car commissions) increased by \$14.0 million or 47.8% in fiscal year 2023 versus 2022. Concession revenues, which accounted for 14.2% of operating revenues in fiscal year 2023, increased mainly due to an increase in operations of food and beverage concessions as a direct result of higher passenger traffic, which also caused some concourse re-openings. Within the category of concessions, food and beverage amounted to \$18.5 million (42.6%) of concession revenue, up from \$12.2 million (41.6%) from fiscal year 2022. 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.

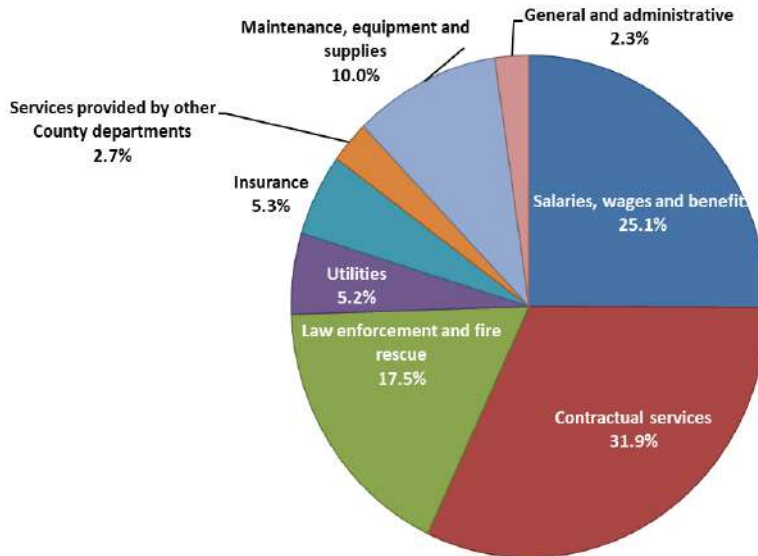
Operating Expenses

The table below shows the major categories of operating expenses for the fiscal years ended September 30, 2023 and 2022 (in thousands):

| Operating Expenses | Fiscal Years Ended September 30 | |
|---|---------------------------------|-------------------|
| | 2023 | 2022 |
| Salaries, wages and benefits | \$ 64,973 | \$ 52,261 |
| Contractual services | 82,862 | 72,671 |
| Law enforcement and fire rescue | 45,408 | 41,256 |
| Utilities | 13,510 | 12,376 |
| Insurance | 13,721 | 10,319 |
| Services provided by other County departments | 7,063 | 7,019 |
| Maintenance, equipment and supplies | 25,852 | 16,829 |
| General and administrative | 5,965 | 4,244 |
| Total Operating Expenses | \$ 259,354 | \$ 216,975 |

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The chart below shows the distribution of operating expenses, excluding depreciation, for the fiscal year 2023:



Overall operating expenses in fiscal year 2023 increased by \$42.4 million or 19.6% compared to fiscal year 2022. The increase is attributable to various factors within all the major expense categories.

Salaries, wages and benefits increased considerably by \$12.7 million, or 24.3%, in fiscal year 2023 from fiscal year 2022 due to salary adjustments, an increase in retirement contributions, and the new County deferred compensation plan match. Salaries, wages and benefits accounted for 25.0% of total operating expenses before depreciation in fiscal year 2023.

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 \$10.2 million, or 14.0%, in fiscal year 2023 from fiscal year 2022, as a result of increase in parking management fees and security. As well as an increase in software to support airport operations.

Law enforcement and fire rescue expenses increased \$4.2 million, or 10.1%, in fiscal year 2023 to \$45.4 million from \$41.3 million in fiscal year 2022. These expenses represented 17.5% of total operating expenses before depreciation in fiscal year 2023.

Utilities expenditure in fiscal year 2023 experienced an increase of \$1.1 million or 9.2% compared to fiscal year 2022.

Insurance costs increased by \$3.4 million, or 33.0%, from fiscal year 2022 to fiscal year 2023, due to an increase in the insurance premiums.

Services provided by other County departments remained flat in fiscal year 2023 compared to fiscal year 2022.

Maintenance, equipment and supplies increased by \$9.0 million, or 53.6%, from fiscal year 2022 to fiscal year 2023, mainly due to an increase in baggage handling system maintenance, fire system maintenance, hardware maintenance, and parking lot repairs.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

General and administrative services was increased by \$1.7 million, or 40.6%, in fiscal year 2023 due to new leased facility to be used as a new staging facility for our shuttle bus service. Additionally new cloud based services were added in the fiscal year.

Depreciation expense increased \$22.3 million or 16.1% in fiscal year 2023 compared to prior year. The increase is due to the completion of several construction projects and transferring them to assets near the end of fiscal year 2022 which increased depreciation in fiscal year 2023.

Non-operating revenues (expenses), represent passenger facility charges (PFCs), interest income and expense, bond issuance costs, and other non-operating revenues and expenses. Overall non-operating revenues, net of expenses, were significantly higher in fiscal year 2023 than the previous year by \$177.5 million. This is mainly attributable to a \$106.6 million increase in federal grants, attributable to the drawdown of the American Rescue Plan Act, and favorable investment income of \$80.7 million driven by high investment returns. This is partially offset by a \$10.2 million capital asset impairment loss related to the irreparable damage to some runway safety equipment due to a "once in 1000-year" rain event that caused extensive flooding on the airport property.

PFCs increased \$5.5 million, or 8.5% in fiscal year 2023 compared to fiscal year 2022 due to improved passenger numbers.

Capital contributions consist of grants from the federal and state governments. Capital contributions in fiscal year 2023 were \$5.7 million less at \$6.3 million compared to \$12.0 million in fiscal year 2022.

Capital Acquisition and Construction Activities

During fiscal year 2023 BCAD expended \$53.8 million on capital acquisitions and projects under construction, compared to \$86.5 million during fiscal year 2022. The amounts expended on capital acquisitions and major projects under construction during fiscal year 2023 are as follows (in thousands):

| Capital Acquisitions and Projects under Construction during Fiscal Year 2023 | |
|--|------------------|
| Miscellaneous Capital Acquisitions <\$1 million | \$ 3,540 |
| Projects Under Construction: | |
| Terminal Improvements | 29,341 |
| Airfield Projects | 8,588 |
| Terminal In-line Baggage Systems | 619 |
| Utilities Upgrades | 2,739 |
| New Credentialing Office | 2 |
| Terminal Connectors | 3,319 |
| Pedestrian Crossings | - |
| System Improvements | 1,118 |
| Airport Master Plan | 1,993 |
| Parking Facility and System Improvements | 2,330 |
| Miscellaneous Projects < \$1 million | 175 |
| Total | \$ 53,764 |

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

One major project was completed and the amount transferred to fixed assets during fiscal year 2023, as follows (in thousands):

| Capital Projects Completed during Fiscal Year 2023 | |
|--|-----------------------|
| Terminal Improvements | \$ (5,561,931) |
| Total | \$ (5,561,931) |

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

Debt Administration

As of September 30, 2023, and 2022, BCAD had \$2.18 billion and \$2.28 billion respectively, in outstanding long-term revenue bonds. These bonds are secured by a pledge of and lien on net revenues, as defined in the Bond Resolution. The following table summarizes the outstanding bonded indebtedness as of September 30, 2023 (in thousands):

| Airport System Revenue Bonds | | | | |
|--------------------------------|--------------------------|-------------------|---------------------|------------------|
| Bond Series | Outstanding Principal | Paid From | | Final Maturity * |
| | | PFCs/Grants | Airport Revenues | |
| 2012 P-1 | 62,780 | | 62,780 | 2026 |
| 2012 P-2 | 16,410 | 6,918 | 9,492 | 2026 |
| 2012 Q-1 | 205,180 | 205,180 | | 2042 |
| 2012 Q-2 | 8,295 | | 8,295 | 2042 |
| 2013 A | 16,340 | | 16,340 | 2043 |
| 2013 B | 6,995 | | 6,995 | 2043 |
| 2013 C | 20,730 | 20,730 | | 2043 |
| 2015 A | 384,055 | | 384,055 | 2045 |
| 2015 B | 9,575 | | 9,575 | 2045 |
| 2015 C | 14,460 | 14,460 | | 2025 |
| 2017 | 272,705 | | 272,705 | 2047 |
| 2019A | 414,970 | | 414,970 | 2049 |
| 2019B | 54,725 | | 54,725 | 2029 |
| 2019C | 701,650 | 401,484 | 300,166 | 2043 |
| Total Bond Indebtedness | \$ 2,188,870 | \$ 648,773 | \$ 1,540,097 | |

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 2023.

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

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

| Debt Service Coverage | Fiscal Years Ended September 30 | |
|--------------------------------|---------------------------------|------|
| | 2023 | 2022 |
| Airport System Revenue Bonds * | 1.44 | 1.33 |

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.

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 2020.

Population growth rates over the last couple of decades have exceeded growth rates for the United States as a whole. Furthermore, the local economy continues to be strong with an unemployment rate in Broward County of 3.0% in September 2023, compared to 2.6% for the same period in September 2022, and the state rate of 3.0% and the national rate of 3.8%. 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.

FLL ranked as the 17 busiest U.S. airport for passenger traffic overall and was 20th for domestic travel volume and 11th the international traffic in 2022, according to trade group Airports Council International - North America, a notable authority in the aviation industry. In 2021, despite the ongoing impact of the COVID19 pandemic, the airport had almost 28.1 million passengers, up from 15.5 million in 2019. Before COVID-19, FLL generated \$37.5 billion in economic activity annually and nearly 18,000 direct, local jobs.

In order to accommodate current and future anticipated growth, BCAD’s approximately \$3.2 billion ten-year capital improvement program is underway. Terminal One was renovated in 2018 and the rehabilitation of the North Runway was completed in 2019. The other three terminals inclusive of the international arrivals facility in Terminal Four are currently being renovated.

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

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

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023
(in thousands)

ASSETS

Current Assets

Unrestricted Assets

| | | |
|---|----|---------|
| Cash and cash equivalents | \$ | 26,500 |
| Investments | | 347,541 |
| Receivables | | |
| Accounts receivable, net of allowance of \$5,557 | | 21,492 |
| Interest receivable | | 2,185 |
| Leases receivable | | 56,652 |
| Due from other governments | | 4,846 |
| Inventories | | 1,656 |
| Prepaid items | | 11,229 |
| Total current unrestricted assets | | 472,101 |

Restricted Assets

| | | |
|---------------------------------------|--|---------|
| Cash and cash equivalents | | 163,186 |
| Passenger facility charges receivable | | 8,608 |
| Interest receivable | | 2,570 |
| Total current restricted assets | | 174,364 |
| Total current assets | | 646,465 |

Noncurrent Assets

Unrestricted Assets

| | | |
|--------------------------------------|--|---------|
| Leases receivable | | 314,323 |
| Total noncurrent unrestricted assets | | 314,323 |

Restricted Assets

| | | |
|---|--|-----------|
| Cash and cash equivalents | | 178,261 |
| Investments | | 540,799 |
| Capital assets | | |
| Non-depreciable | | 555,997 |
| Depreciable, net of accumulated depreciation and amortization of \$1,645,803 | | 2,460,338 |
| Total capital assets, net | | 3,016,335 |
| Total noncurrent assets | | 4,049,718 |

TOTAL ASSETS

\$ 4,696,183

DEFERRED OUTFLOWS OF RESOURCES

| | | |
|---|----|--------|
| Deferred charge on refunding | \$ | 44,982 |
| Deferred outflows on Other Post Employment Benefits | | 472 |
| Deferred outflows on pensions | | 9,556 |

TOTAL DEFERRED OUTFLOWS OF RESOURCES

\$ 55,010

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023
(in thousands)

LIABILITIES

Current Liabilities

| | |
|--|-----------|
| Payable from Unrestricted Assets | |
| Accounts payable | \$ 23,816 |
| Accrued liabilities | 8,743 |
| Lease liability | 195 |
| Subscription liability | 2,833 |
| Due to other County funds | 9,961 |
| Due to other governments | 717 |
| Deposits | 7,460 |
| Unearned revenue | 47,061 |
| Compensated absences | 3,876 |
| Total current liabilities payable from unrestricted assets | 104,662 |

| | |
|--|---------|
| Payable from Restricted Assets | |
| Accounts payable | 19,566 |
| Accrued interest payable | 46,530 |
| Revenue bonds payable | 99,660 |
| Total current liabilities payable from restricted assets | 165,756 |
| Total current liabilities | 270,418 |

Noncurrent Liabilities

| | |
|---|-----------|
| Revenue bonds payable, including discounts and premiums, net of current portion | 2,248,343 |
| Arbitrage payable | 3,041 |
| Lease liability | 294 |
| Subscription liability | 3,973 |
| Compensated absences | 2,495 |
| Total other post employment benefits liability | 1,650 |
| Net pension liability | 40,866 |
| Total noncurrent liabilities | 2,300,662 |

TOTAL LIABILITIES **\$ 2,571,080**

DEFERRED INFLOWS OF RESOURCES

| | |
|--|------------|
| Deferred inflows on leases | \$ 366,009 |
| Deferred inflows on Other Post Employment Benefits | 1,284 |
| Deferred inflows on pensions | 1,644 |

TOTAL DEFERRED INFLOWS OF RESOURCES **\$ 368,937**

NET POSITION

| | |
|----------------------------------|------------|
| Net investment in capital assets | \$ 827,752 |
| Restricted for | |
| Debt service | 178,292 |
| Capital projects | 340,118 |
| Unrestricted | 465,014 |

TOTAL NET POSITION **\$ 1,811,176**

See notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 30, 2023
(in thousands)

| | |
|--|---------------------|
| Operating Revenues | |
| Airline revenues | \$ 90,695 |
| Rental cars | 75,243 |
| Parking | 61,259 |
| Concessions | 43,269 |
| General aviation and fixed based operators | 13,829 |
| Non-airline terminal rent and other rents | 5,761 |
| North Perry Airport | 2,417 |
| Cargo | 4,679 |
| Miscellaneous | 7,558 |
| Total operating revenues | <u>304,710</u> |
| Operating Expenses | |
| Salaries, wages and benefits | 64,973 |
| Contractual services | 82,862 |
| Law enforcement and fire rescue | 45,408 |
| Utilities | 13,510 |
| Insurance | 13,721 |
| Services provided by other County departments | 7,063 |
| Maintenance, equipment and supplies | 25,852 |
| General and administrative | 5,965 |
| Total operating expenses before depreciation | <u>259,354</u> |
| Operating Income before Depreciation | 45,356 |
| Depreciation and amortization | <u>160,908</u> |
| Operating Loss | <u>(115,552)</u> |
| Nonoperating Revenues (Expenses) | |
| Interest and investment income | 31,690 |
| Net increase in the fair value of investments | 11,768 |
| Net interest and investment income | <u>43,458</u> |
| Passenger facility charges | 70,526 |
| Federal grants and financial assistance | 115,992 |
| Interest revenue leases | 5,396 |
| Interest expense | (83,714) |
| Interest expense leases | (154) |
| Gain on disposal of capital assets | 15 |
| Other | 225 |
| Total nonoperating revenues (expenses) | <u>151,744</u> |
| Income before Capital Contributions, Extraordinary Item | <u>36,192</u> |
| Capital Contributions, Extraordinary Item | |
| Capital Contributions | 6,292 |
| Extraordinary Item - write down of impaired asset | <u>(10,233)</u> |
| Total capital contributions and extraordinary item | <u>(3,941)</u> |
| Change in Net Position | 32,251 |
| Total Net Position - Beginning of Period | <u>1,778,925</u> |
| Total Net Position - End of Period | <u>\$ 1,811,176</u> |

See notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(in thousands)

| | |
|---|-------------------|
| Cash Flows from Operating Activities | |
| Cash received from customers | \$ 353,323 |
| Cash payments to suppliers for goods and services | (188,638) |
| Cash payments to employees for services | (56,304) |
| Other cash received | 225 |
| Net cash provided by operating activities | <u>108,606</u> |
| Cash Flows from Noncapital Financing Activities | |
| Nonoperating grants and financial assistance received | <u>115,992</u> |
| Net cash provided by noncapital financing activities | <u>115,992</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Lease interest received | 5,396 |
| Lease interest charges | (154) |
| Acquisition and construction of property, plant and equipment | (76,471) |
| Proceeds from sale of capital assets | 15 |
| Lease and Subscription Payments | (2,208) |
| Debt principal payment | (95,245) |
| Interest and fiscal charges | (95,325) |
| Capital contributions | 24,430 |
| Passenger facility charges received | <u>69,609</u> |
| Net cash used for capital and related financing activities | <u>(169,953)</u> |
| Cash Flows from Investing Activities | |
| Purchase of investment securities | (639,441) |
| Proceeds from sale and maturities of investment securities | 604,993 |
| Interest and dividends on investments | <u>40,697</u> |
| Net cash provided by investing activities | <u>6,249</u> |
| Net Increase in Cash and Cash Equivalents | 60,894 |
| Cash and Cash Equivalents, Beginning of Period | <u>307,053</u> |
| Cash and Cash Equivalents, End of Period | <u>\$ 367,947</u> |
| Cash and Cash Equivalents - Unrestricted Assets | \$ 26,500 |
| Cash and Cash Equivalents - Restricted Assets | |
| Current cash and cash equivalents | 163,186 |
| Noncurrent cash and cash equivalents | <u>178,261</u> |
| | <u>\$ 367,947</u> |

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(in thousands)

Reconciliation of operating loss to net cash provided by operating activities

| | |
|--|------------------------|
| Operating loss | \$ (115,552) |
| <hr/> | |
| Adjustments to reconcile operating loss to cash flows provided by operating activities | |
| Depreciation and amortization expense | 160,908 |
| Other nonoperating revenues | 225 |
| (Increase) Decrease in assets and deferred outflows of resources | |
| Accounts receivable | 1,299 |
| Leases receivable | 51,043 |
| Inventories | 64 |
| Prepaid items | (936) |
| Deferred outflows on other post employment benefits | (3) |
| Deferred outflows on pensions | 1,073 |
| Increase (Decrease) in liabilities and deferred inflows of resources | |
| Accounts payable | 7,643 |
| Accrued liabilities | 3,399 |
| Due to other County funds | (903) |
| Due to other governments | (1,140) |
| Deposits | 1,140 |
| Unearned revenues | 45,345 |
| Compensated absences | 496 |
| Total other post employment benefits liability | 103 |
| Net pension liability | 7,641 |
| Deferred inflows on leases | (52,898) |
| Deferred inflows on other post employment benefits | (44) |
| Deferred inflows on pensions | (297) |
| Net adjustments | <hr/> 224,158 <hr/> |
| Net cash provided by operating activities | <hr/> \$ 108,606 <hr/> |

Noncash Investing, Capital and Financing Activities

| | |
|--|-------------|
| Amortization of bond discount and premiums | \$ (14,818) |
| Amortization of deferred charge on refunding | 2,413 |
| Right to use leased assets | 8,821 |
| Capital contributions | 6,292 |
| Capital assets acquired through current accounts payable | 23,272 |
| Change in fair value of investments | 11,768 |

See notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2023

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|---|----|
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BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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.

Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

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, 2023:

I. GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPP's and APA's) (Statement No. 94)

Statement No. 94 improves financial reporting by establishing the definitions of PPP's and APA's and providing guidance for more relevant and reliable information for the financial statement users and create greater consistency in practice. BCAD does not have these payment arrangement agreements.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Statement No. 96)

Statement No. 96 provides guidance on the accounting and financial reporting for subscription -based information technology arrangements (SBITA's) for governments. A SBITA is a contract conveying the right-to-use a vendor's information technology software, sometimes in combination with a tangible, underlying capital asset, in an exchange or exchange-like transaction. A subscription liability and an intangible asset is recognized in the financial statements. The effect of the adoption of GASB No. 96 is disclosed in Note 15.

3. GASB Statement No. 99, Omnibus 2022 (Statement No. 99)

Statement No. 99 requirements are effective for different reporting periods. BCAD adopted the requirements related to leases, PPP's and SBITA's that clarify financial reporting topics in GASB Statements Nos. 87, 94, and 96. GASB State No. 99 did no impact BCAD's financial position or results in operations for the financial year ending September 30, 2023.

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.

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 fixed payments, variable payments that depend on an 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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 |
| Intangible Right-to-Use Assets | 1-30 years |

J. Subscription -Based Information Technology Arrangements (SBITA)

A SBITA is a contract that conveys control of the right to use a vendor's software as specified in the contract for a period in an exchange or exchange-like transaction. BCAD recognizes a subscription liability and an intangible right-to-use subscription asset at the beginning of a SBITA contract term that is greater than 12 months, while SBITA contract terms 12 months or less are recognized as outflows of resources. A subscription liability is measured at the present value of the subscription payments expected during the subscription term using BCAD's incremental borrowing rate. The SBITA term commences when BCAD has obtained control of the right to use asset subscription asset and the subscription asset is placed into service. The subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying subscription asset. Amortization of the discount on the subscription liability is reported as an outflow of resources. Payments are allocated first to accrued interest liability and then the lease liability. Refer to Note 15 for further disclosure of SBITA's.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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 assets 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 assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows of resources reported by BCAD related to other postemployment benefits are more fully disclosed in Note 1, Section O, and Note 10 while those related to pension activities and are more fully disclosed in Note 1, Section P and Note 11. Deferred inflows of resources related to leases are more fully disclosed in Note 5.

L. Due to or from Other County Funds

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

M. Unearned Revenue - Airline Fees and Charges

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

N. Long-term Obligations

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

O. Compensated Absences

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

P. Total OPEB Liability

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. 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.

R. Net Position and Net Position Flow Assumption

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

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

S. Capital Contributions

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Passenger Facility Charges

In 1990, Congress authorized domestic airports to impose a passenger facility charge (PFC) on each departing passenger. Subsequently, the Federal Aviation Administration (FAA) issued regulations for the use and reporting of PFCs. Airports are authorized to use PFCs for projects that must meet at least one of the following eligibility requirements: (1) preserve or enhance safety, security, or capacity of the national transportation system; (2) reduce 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 \$1,184,257,000 has been collected as of September 30, 2023. 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, 2023, \$928,894,000 of the collected PFCs had been spent on approved projects or debt service, and the remaining \$255,364,000, along with a PFC receivable of \$10,532,000 and interest receivable of \$15,000, is reflected in the net position restricted for capital projects.

U. Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2023, BCAD’s deposits and investments consisted of the following (in thousands):

| | | |
|---------------------------------|-----------|------------------|
| Cash Deposits | <u>\$</u> | 58,842 |
| Investments: | | |
| U.S. Treasuries | | 270,879 |
| U.S. Agencies | | 598,075 |
| World Bank | | 19,386 |
| Money Market Mutual Funds | | <u>309,105</u> |
| Total Investments | | <u>1,197,445</u> |
| | | |
| Total Deposits, and Investments | <u>\$</u> | <u>1,256,287</u> |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2023 cash and cash equivalents and investments are classified in the Statements of Net Position as follows (in thousands):

| | |
|--|---------------------|
| Current Assets | |
| Cash and cash equivalents, unrestricted | \$ 26,500 |
| Cash and cash equivalents, restricted | 163,186 |
| Investments, unrestricted | 347,541 |
| Noncurrent Assets | |
| Cash and cash equivalents, restricted | 178,261 |
| Investments, restricted | <u>540,799</u> |
| Total Cash, Cash Equivalents and Investments | <u>\$ 1,256,287</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 fair 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 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 and credit 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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreements.

Interest Rate Risk - In accordance with its investment policy, the County manages its exposure to interest rate volatility by limiting the weighted average maturity of its investment portfolio within the following maturity categories: overnight 35%; 1-30 days 80%; 31-90 days 80%; 91 days to 1 year 70%; 1-2 years 40%; 2-3 years 25%; 3-4 years 20%; 4-5 years 15%; and 5-7 years 10%. Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2023, the portfolio weighted average maturity was 364 days, and was in accordance with the County's investment policy.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weight Average Maturity (Days)</u> |
|---------------------------|-------------------|---|
| U.S. Treasuries | \$ 270,879 | 257 |
| U.S. Agencies | 598,075 | 469 |
| World Bank | 19,386 | 1265 |
| Money Market Mutual Funds | 309,105 | 23 |
| | \$ 1,197,445 | 364 |

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 any of the nationally recognized rating services. 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.

The County's investments in the U.S. Treasury, U.S. Agencies, World Bank notes, Bonds, Discount notes, and Money Market Mutual Funds are rated in one of the two highest classifications by any one of the nationally recognized rating services. At September 30, 2023, all County's investments were held in the County's name.

Concentration of Credit Risk - The County places no limit on the amount that may be invested in securities of the US Government and U.S. Agencies thereof, or government-sponsored corporation securities. The County requires that all investments be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer at the time of purchase. GASB Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3* requires disclosure when 5% or more is invested in any one issuer.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The investments under this disclosure are detailed below:

| Portfolio | September 30 2023 |
|---|----------------------|
| Federal Agricultural Mortgage Corporation | 22.31% |
| Federal Home Loan Bank | 16.35% |
| Federal Farm Credit Bank | 13.87% |
| U.S. Treasury | 36.34% |
| Federal Home Loan Mortgage Corporation | |

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.

Investments with Local Government Investment Pools (LGIP) are recorded at net asset value (NAV) per share. This method of determining fair value uses member units to which a proportionate share of net asset is attributed.

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

| As of September 30, 2023 | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|---|---------------------|---|---|
| Investments by Fair Value Level | | | |
| Debt Securities: | | | |
| U.S. Treasuries | \$ 270,879 | \$ - | \$ 270,879 |
| U.S. Agencies | 598,075 | | 598,075 |
| World Bank | 19,386 | | 19,386 |
| Total Debt Securities | 888,340 | - | 888,340 |
| Investments at Net Asset Value (NAV) | | | |
| Money Market Mutual Funds | \$ 309,105 | | |
| Total Investments at Fair Value | \$ 1,197,445 | | |

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). The Money Market Mutual Funds are open-ended Securities and Exchange Commission registered investments funds with a daily net asset value (NAV). These mutual funds are

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

designed to be liquid and allow investors to see their interest daily in the fund at the published NAV, with no restrictions on redemptions and no unfunded commitments.

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, 2023, 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):

| | | |
|------------------------------------|----|------------|
| Bond reserve accounts | \$ | 166,738 |
| Debt service accounts | | 227,866 |
| Passenger facility charges account | | 320,213 |
| Bond construction accounts | | 158,691 |
| Grant proceeds | | 19,916 |
| | | \$ 893,424 |

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

| | | |
|---------------------------------------|----|------------|
| Current Restricted Assets | | |
| Cash and cash equivalents | \$ | 163,186 |
| Passenger facility charges receivable | | 8,608 |
| Other accounts receivable | | 2,570 |
| Noncurrent Restricted Assets | | |
| Cash and cash equivalents | | 178,261 |
| Investments | | 540,799 |
| | | \$ 893,424 |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2023, are as follows (in thousands):

| | Balance October 1, 2022 | Increases | Decreases | Balance September 30, 2023 |
|---|-------------------------------|--------------------|------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 109,885 | \$ 53,760 | \$ 5,562 | \$ 158,083 |
| Land and land improvements | 397,914 | - | - | 397,914 |
| Total capital assets not being depreciated | <u>507,799</u> | <u>53,760</u> | <u>5,562</u> | <u>555,997</u> |
| Capital assets being depreciated and amortized: | | | | |
| Buildings, facilities and other improvements | 4,003,457 | 5,721 | 10,233 | 3,998,945 |
| Equipment | 95,303 | 2,537 | 319 | 97,521 |
| Equipment - leased | 874 | - | - | 874 |
| Intangible right-to-use asset* | 8,821 | - | 20 | 8,801 |
| Total capital assets being depreciated and amortized | <u>4,108,455</u> | <u>8,258</u> | <u>10,572</u> | <u>4,106,141</u> |
| Less accumulated depreciation and amortization: | | | | |
| Buildings, facilities and other improvements | 1,426,417 | 150,766 | - | 1,577,183 |
| Equipment | 58,621 | 7,783 | 317 | 66,087 |
| Equipment - leased | 194 | 195 | - | 389 |
| Intangible right-to-use asset | - | 2,164 | 20 | 2,144 |
| Total accumulated depreciation and amortization | <u>1,485,232</u> | <u>160,908</u> | <u>337</u> | <u>1,645,803</u> |
| Total capital assets being depreciated and amortized, net | <u>2,623,223</u> | <u>(152,650)</u> | <u>10,235</u> | <u>2,460,338</u> |
| | | | | |
| Total capital assets, net | <u>\$ 3,131,022</u> | <u>\$ (98,890)</u> | <u>\$ 15,797</u> | <u>\$ 3,016,335</u> |

* October 1, 2022 balances has been restated due to adoption of GASB 96

During 2023 the Airport experienced an unusual and infrequent weather event that caused impairment to certain assets reported under buildings, facilities and other improvements. The carrying value of the impaired assets was written down by \$10,233,000. This write down of impaired assets has been reported as an Extraordinary Item expense of \$10,233,000.

NOTE 5 – 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 29 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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 5 – LEASES (Continued)

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.

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, 2023, the regulated lease revenue was as follows (in thousands):

| Fixed | Variable | Total |
|-----------|-----------|-----------|
| \$ 58,382 | \$ 32,308 | \$ 90,690 |

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

| Fiscal Year (s) | Principal | Interest | Total |
|-----------------|-------------------|------------------|-------------------|
| 2024 | \$ 59,149 | \$ 2,760 | \$ 61,909 |
| 2025 | 59,201 | 2,319 | 61,520 |
| 2026 | 59,149 | 1,875 | 61,024 |
| 2027 | 7,330 | 1,581 | 8,911 |
| 2028 | 6,369 | 1,580 | 7,949 |
| 2029 -2033 | 39,652 | 7,556 | 47,208 |
| 2034 -2038 | 11,230 | 1,697 | 12,927 |
| 2039 -2043 | 11,999 | 1,382 | 13,381 |
| 2044 -2048 | 7,007 | 626 | 7,633 |
| 2049 -2052 | 2,846 | 74 | 2,920 |
| Total | \$ 263,932 | \$ 21,450 | \$ 285,382 |

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, 2023, the Airports non-regulated lease terms range from 1 year to 20 years. The non-regulated leased property provided lease principal payments received of \$56,095,000, interest revenue of \$5,396,000, and variable revenue of \$24,979,000. The total lease receivable was \$370,975,000, of which \$56,652,000 was current and \$314,323,000 was noncurrent. The total deferred inflow of leases was \$366,009,000.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 5 – LEASES (Continued)

For the fiscal year ended September 30, 2023, the non-regulated lease revenue was as follows (in thousands):

| Fixed | Variable | Total |
|-----------|-----------|-----------|
| \$ 56,095 | \$ 24,979 | \$ 81,074 |

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

| Fiscal Year (s) | Principal | Interest | Total |
|-----------------|------------|-----------|------------|
| 2024 | \$ 56,652 | \$ 4,661 | \$ 61,313 |
| 2025 | 55,795 | 3,913 | 59,708 |
| 2026 | 56,013 | 3,159 | 59,172 |
| 2027 | 54,937 | 2,401 | 57,338 |
| 2028 | 49,601 | 1,674 | 51,275 |
| 2029-2033 | 97,453 | 2,186 | 99,639 |
| 2034-2038 | 524 | 11 | 535 |
| Total | \$ 370,975 | \$ 18,005 | \$ 388,980 |

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, 2023, payments for non-regulated leased property totaled \$194,300 and attributed interest expense was \$3,800.

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

| Fiscal Year (s) | Principal | Interest | Total |
|-----------------|-----------|----------|--------|
| 2024 | \$ 195 | \$ 3 | \$ 198 |
| 2025 | 196 | 1 | 197 |
| 2026 | 98 | - | 98 |
| Total | \$ 489 | \$ 4 | \$ 493 |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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 September 30, 2023 these funds amounted to \$35,118,000.

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended September 30, 2023 is as follows (in thousands):

| | Balance October 1, 2022 | Additions | Deductions | Balance September 30, 2023 | Amount Due Within One Year | Amount Due After One Year |
|--|-------------------------------|------------------|-------------------|----------------------------------|----------------------------------|---------------------------------|
| Revenue Bonds payable | \$ 2,284,115 | \$ - | \$ 95,245 | \$ 2,188,870 | \$ 99,660 | \$ 2,089,210 |
| Unamortized bond premiums and discount | 173,951 | - | 14,818 | 159,133 | - | 159,133 |
| Arbitrage payable | - | 3,041 | - | 3,041 | - | 3,041 |
| Lease liability | 682 | - | 193 | 489 | 195 | 294 |
| Subscription liability | 8,821 | - | 2,015 | 6,806 | 2,833 | 3,973 |
| Compensated absences | 5,875 | 5,052 | 4,556 | 6,371 | 3,876 | 2,495 |
| Total other post employment benefits liability | 1,547 | 227 | 124 | 1,650 | - | 1,650 |
| Net pension liability | 33,225 | 7,641 | - | 40,866 | - | 40,866 |
| Total | \$ 2,508,216 | \$ 15,961 | \$ 116,951 | \$ 2,407,226 | \$ 106,564 | \$ 2,300,662 |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2023 (in thousands) *:

| Airport System Revenue Bonds | Primary Purpose | Type | Interest Payment | | Optional (O) or Mandatory (M) Redemption * | Final Maturity Date | Original Amount Issued | Retired/Refunded | Outstanding September 30 |
|------------------------------|-----------------|--------|------------------|------------|--|---------------------|------------------------|------------------|--------------------------|
| | | | Rate % | Date | | | | | |
| 2012P-1 | Refunding | Serial | 3.0-5.0 | 4-1 & 10-1 | O | 2022 10/1/2026 | 217,080 | (154,300) | 62,780 |
| 2012P-2 | Refunding | Serial | 3.25-5.0 | 4-1 & 10-1 | O | 2022 10/1/2026 | 92,775 | (76,365) | 16,410 |
| 2012Q-1 | Improvements | Term | 4.0-5.0 | 4-1 & 10-1 | M | 2034 10/1/2042 | 232,020 | (26,840) | 205,180 |
| 2012Q-2 | Improvements | Term | 5.0 | 4-1 & 10-1 | M | 2033 10/1/2042 | 53,910 | (45,615) | 8,295 |
| 2013A | Improvements | Term | 5.125-5.25 | 4-1 & 10-1 | M | 2034 10/1/2043 | 83,960 | (67,620) | 16,340 |
| 2013B | Improvements | Term | 5.00-5.25 | 4-1 & 10-1 | M | 2034 10/1/2043 | 28,005 | (21,010) | 6,995 |
| 2013C | Improvements | Term | 5.125-5.25 | 4-1 & 10-1 | M | 2034 10/1/2043 | 107,710 | (86,980) | 20,730 |
| 2015A | Improvements | Serial | 2.0-5.0 | 4-1 & 10-1 | O | 2025 10/1/2037 | 248,120 | (42,260) | 205,860 |
| 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 | (31,845) | 14,460 |
| 2017 | Improvements | Serial | 5.0 | 4-1 & 10-1 | O | 2027 10/1/2037 | 138,495 | (15,200) | 123,295 |
| 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 | (20,090) | 199,020 |
| 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 | (6,905) | 54,725 |
| 2019C | Refunding | Serial | 1.844-3.084 | 4-1 & 10-1 | O | 2029 10/1/2034 | 336,520 | (18,285) | 318,235 |
| 2019C | Refunding | Term | 3.477 | 4-1 & 10-1 | O | 2029 10/1/2043 | 383,415 | | 383,415 |
| | | | | | | | | | <u>\$ 2,188,870</u> |

*The optional and mandatory redemptions are at par

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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> |
|--------------------|---------------------|---------------------|---------------------|
| 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 | 77,335 | 74,765 | 152,100 |
| 2029-2033 | 394,610 | 326,102 | 720,712 |
| 2034-2038 | 444,390 | 242,154 | 686,544 |
| 2039-2043 | 544,865 | 139,343 | 684,208 |
| 2043-2047 | 296,250 | 41,120 | 337,370 |
| 2048-2050 | 50,950 | 2,273 | 53,223 |
| | <u>\$ 2,188,870</u> | <u>\$ 1,164,321</u> | <u>\$ 3,353,191</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>2023</u> |
|---|---------------------|
| Current year revenues pledged | \$ 304,710 |
| Current year debt service | 135,575 |
| Percentage of debt service to pledged revenues | 44.5% |
| | |
| Total future revenues pledged* | \$ 3,353,191 |
| Passenger facility charge, grant and bond proceeds offset | <u>(895,122)</u> |
| Net future revenues pledged | <u>\$ 2,458,069</u> |

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

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 2013A (Partially Refunded) | 121,960 |
| 2019 | Series 2013B (Partially Refunded) | 39,055 |
| 2019 | Series 2013C (Partially Refunded) | 155,980 |
| | | \$ 316,995 |

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):

| | 2023 |
|-------------------------|----------|
| Federal Grants | \$ 59 |
| State of Florida Grants | 6,233 |
| | \$ 6,292 |

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 statues 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 \$4.4 billion in insurable values. The property insurance purchased affords \$500,000,000 in coverage per occurrence with a deductible of \$250,000.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 9 - RISK MANAGEMENT (Continued)

Losses attributable to named windstorm (hurricane) are subject to a limit of \$125,000,000 per occurrence with a deductible of \$75,000,000. 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. This year BCAD also purchased an additional \$25,000,000 of parametric triggered coverage which responds in the event of a named windstorm whose track passes within a 10 mile radius of the airport. The payout from this product is scaled, based on the maximum wind speeds starting at a 20% payout for a Cat 3 storm, a 70% payout for a Cat 4 storm and a 100% payout for a Cat 5 storm.

BCAD has a separate property insurance policy, which insures the "elevated section" of the new runway with a policy limit of \$361,248,000, 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. The coverage for the current policy year has \$25,000 per occurrence deductible, with an annual maximum deductible expense of \$100,000.

Environmental Liability Insurance - BCAD carries an environmental liability insurance policy with coverage limits of \$10,000,000 per occurrence and \$10,000,000 aggregate, and a separate storage tank liability policy to comply with the Florida Department of Environmental Protection's Financial Responsibility requirement. BCAD's storage tank policy affords coverage limits of \$1,000,000 per tank and \$3,000,000 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 the environmental policy, and the first \$100,000 under the storage tank policy.

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

There has been no decrease in coverage from the prior year. Settled claims have not exceed commercial coverage in the past three years.

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. 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. BCAD does not issue separate OPEB financial reports. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. As of September 30, 2023, the OPEB plan covered 581 active benefit eligible BCAD employees. The County, excluding BSO, had 189 inactive employees who received benefit payments at September 30, 2023, whereas the number of BCAD's inactive employees is not available.

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2023

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

Funding Policy

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

Actuarial Methods and Assumptions

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

Significant methods and assumptions by year were as follows:

| | 2023 |
|---------------------------------|---|
| 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 | 7.00% initial 4.50% - ultimate |
| Discount Rate | 4.87% |
| 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 | 9/30/2023 |
| Measurement date | 9/30/2023 |
| Actuarial cost method | Entry age |

*includes 2.6% general inflation rate for Broward County employees

Changes to Total OPEB Liability and Related Ratio

As of September 30, 2023 the total OPEB Liability of \$1,650,000 was determined by an actuarial valuation with the measurement date of September 30, 2023.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Below are the details regarding BCAD’s total OPEB liability for the period from October 1, 2022 to September 30, 2023 (in thousands):

| | | |
|--|----|--------------|
| Total OPEB Liability recognized at 10/1/22 | \$ | 1,547 |
| Changes for Fiscal Year: | | |
| Service Cost | | 89 |
| Interest | | 85 |
| Difference between actual and expected xperience | | 53 |
| Assumption changes | | (24) |
| Benefit Payments | | <u>(100)</u> |
| Net Change in total OPEB | | <u>103</u> |
| Total OPEB Liability at 9/30/23 | \$ | <u>1,650</u> |
| | | |
| Covered Employee Payroll | \$ | 41,195 |
| Total as a percentage of Covered employee payroll | | 4.01% |

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

The following presents the total BCAD OPEB liability as of September 30, 2023 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 (3.87 %) or 1 percentage point higher (5.87 %) than the current discount rate (in thousands):

| As of September 30, 2023 | 1% Decrease | Current Discount Rate | 1% Increase |
|--------------------------|-------------|--------------------------|-------------|
| Trend Rates | 3.87% | 4.87% | 5.87% |
| OPEB Liability | \$ 1,897 | \$ 1,650 | \$ 1,480 |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

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

For the year ended September 30, 2023, 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 (6.00% to 3.50%) and 1 percentage point higher (8.00% to 5.50%) than the current healthcare cost trend rates (in thousands):

| As of September 30, 2023 | 1% Decrease | Current Trend Rates | 1% Increase |
|--------------------------|----------------|------------------------|----------------|
| Trend Rates | 6.00% to 3.50% | 7.00% to 4.50% | 8.00% to 5.50% |
| OPEB Liability | \$ 1,422 | \$ 1,650 | \$ 1,987 |

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

For the year ended September 30, 2023, BCAD recognized OPEB expense of \$112,000. At September 30, 2023, BCAD reported deferred outflows and deferred inflows of resources related to OPEB for the following sources, respectively (in thousands):

| As of September 30, 2023 | Deferred Outflows | Deferred Inflows |
|--|----------------------|---------------------|
| Differences between expected and actual experience | \$ 278 | \$ (722) |
| Change of assumptions or other inputs | 194 | (562) |
| Total | <u>\$ 472</u> | <u>\$ (1,284)</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> |
|--------------------|-----------------|
| 2024 | \$ (60) |
| 2025 | (60) |
| 2026 | (60) |
| 2027 | (60) |
| 2028 | (71) |
| Thereafter | (501) |
| | <u>\$ (812)</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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 11 – RETIREMENT PLANS (Continued)

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

A. Pension Plan

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

The general classes of membership for BCAD are as follows:

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

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

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

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2023

NOTE 11 – RETIREMENT PLANS (Continued)

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

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

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

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, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023, respectively, were as follows: Regular – 10.19% and 11.51%; Senior Management Service – 29.85% and 32.46%; Special Risk – 26.11% and 30.61%; and DROP participants – 16.94% and 19.13%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment. For the fiscal year ended September 30, 2023, contributions, included employee contributions of \$779,000, to the Pension Plan for BCAD totaled \$3,512,000.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2023, BCAD reported liabilities of \$27,361,000, for its proportionate share of the County's Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 11 – RETIREMENT PLANS (Continued)

total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. BCAD’s proportionate share of the County’s net pension liability was based on its share of the County’s fiscal year contributions relative to the 2022-2023 fiscal year contributions of all participating members. At June 30, 2023, the BCAD’s proportionate share was 0.0774%. The proportionate share for the BCAD at June 30, 2023 as compared to June 30, 2022 was an increase of 0.00072 percentage points.

For the fiscal year ended September 30, 2023, BCAD recognized pension expense of \$6,863,000. 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, 2023 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 2,894 | \$ - |
| Change of assumptions | 2,009 | - |
| Net difference between projected and actual earnings on Pension Plan investments | 1,287 | - |
| Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions | 1,154 | (110) |
| Pension Plan contributions subsequent to the measurement date | 936 | - |
| Total | \$ 8,280 | \$ (110) |

The deferred outflows of resources related to the Pension Plan, totaling \$936,000 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 | |
|---------------------------|----------|
| 2024 | \$ 1,265 |
| 2025 | 34 |
| 2026 | 5,291 |
| 2027 | 497 |
| 2028 | 147 |
| Total | \$ 7,234 |

Actuarial Assumptions - The total pension liability in the July 1, 2023 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 |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 11 – RETIREMENT PLANS (Continued)

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

The actuarial assumptions used in the July 1, 2023 valuations were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The assumptions used in the July 1, 2023 valuation were unchanged from those used in the prior valuation of July 1, 2022.

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% | 2.9% | 2.9% | 1.1% |
| Fixed Income | 19.8% | 4.5% | 4.4% | 3.4% |
| Global Equity | 54.0% | 8.7% | 7.1% | 18.1% |
| Real Estate (Property) | 10.3% | 7.6% | 6.6% | 14.8% |
| Private Equity | 11.1% | 11.9% | 8.8% | 26.3% |
| Strategic Investments | 3.8% | 6.3% | 6.1% | 7.8% |
| | <u>100.0%</u> | | | |
| Assumed Inflation - Mean | | | 2.4% | 1.4% |

*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 2023. 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, 2023, 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, 2023 | 1% Decrease 5.70% | Current Discount Rate 6.70% | 1% Increase 7.70% |
|---|----------------------|--------------------------------|----------------------|
| Proportional Share of the Net Pension Liability | \$46,739 | \$27,361 | \$11,150 |

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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 11 – RETIREMENT PLANS (Continued)

Payables to the Pension Plan - At September 30, 2023, BCAD reported payables in the amount of \$285,000, for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2023.

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, 2023, 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, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023 were 1.66% and 2.00%, 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, 2023, contributions to the HIS Plan for BCAD totaled \$764,000.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2023, BCAD reported liabilities of \$13,504,000, for its proportionate share of the County's HIS Plan's net pension liability. The net pension liabilities were measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. BCAD's proportionate share of the County's net pension liability was based on its share of the County's 2022-2023 fiscal year contributions relative to the 2022-2023 fiscal year contributions of all participating members. At June 30, 2023, BCAD's proportionate share was 0.0976%, which was an increase of 0.00221 percentage points from its proportionate share measured at June 30, 2022.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 11 - RETIREMENT PLANS (Continued)

For the fiscal years ended September 30, 2023, BCAD recognized pension expense of \$5,970,000. 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, 2023 | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 228 | \$ (37) |
| Change of assumptions | 406 | (1,343) |
| Net difference between projected and actual earnings on Pension Plan investments | 8 | |
| Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions | 457 | (154) |
| Pension Plan contributions subsequent to the measurement date | <u>177</u> | |
| Total | <u>\$ 1,276</u> | <u>\$ (1,534)</u> |

The deferred outflows of resources as of September 30, 2023 related to the HIS Plan, totaling \$177,000 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

| <u>Years Ending September 30</u> | |
|----------------------------------|-----------------|
| 2024 | \$ (1) |
| 2025 | 2 |
| 2026 | (87) |
| 2027 | (242) |
| 2027 | (108) |
| Thereafter | <u>1</u> |
| Total | <u>\$ (435)</u> |

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2023 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities as of June 30, 2023. The total pension liabilities as of June 30, 2023, were determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.40% |
| Salary Increases | 3.25% average, including inflation |
| Investment Rate of Return | 3.65%, 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, 2023

NOTE 11 - RETIREMENT PLANS (Continued)

The actuarial assumptions that determined the total pension liability as of June 30, 2023 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, 2023 was 3.65% (an increase of 0.11% from the discount rate of 3.54% used in the previous year) 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, 2023, using the discount rate of 3.65%, 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 (2.65%) or one percentage point higher (4.65%) than the current rate (in thousands):

As of September 30, 2023

| | 1% Decrease 2.65% | Current Discount Rate 3.65% | 1% Increase 4.65% |
|---|-------------------|--------------------------------|-------------------|
| Proportional Share of the Net Pension Liability | \$15,406 | \$13,504 | \$11,928 |

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, 2023, BCAD reported payables in the amount of \$60,000 for outstanding contributions to the HIS plan required for the fiscal year ended September 30, 2023.

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 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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 11 - RETIREMENT PLANS (Continued)

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 0.06% 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 - 8.30%, Senior Management Service Class - 9.67%.

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, 2023, 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 \$1,279,000 for the fiscal year ended September 30, 2023.

Payables to the Investment Plan - At September 30, 2023, BCAD reported payables in the amount of \$100,000 for outstanding contributions to the Investment Plan required for the fiscal year ended September 30, 2023.

BCAD's proportionate share of the County Plans' net pension liability, deferred outflows of resources and deferred inflows of resources as of September 30, 2023, and pension expense/adjustment for the fiscal year ended September 30, 2023, was allocated to BCAD based on contributions. Amounts are as follows (in thousands):

| | Net Pension Liabilities 2023 | Deferred Outflows of Resources 2023 | Deferred Inflows of Resources 2023 | Pension Expense 2023 |
|--------------|---------------------------------|---|--|-------------------------|
| Pension Plan | \$ (27,362) | \$ 8,280 | \$ (110) | \$ 6,863 |
| HIS Plan | (13,504) | 1,276 | (1,534) | 5,970 |
| Total | <u>\$ (40,866)</u> | <u>\$ 9,556</u> | <u>\$ (1,644)</u> | <u>\$ 12,833</u> |

BROWARD COUNTY AVIATION DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
Unaudited

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 \$21,830,000 for the year ended September 30, 2023. 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, 2023, totaled approximately \$2,658,000.

BCAD contracts directly with the Broward County Sheriff's Office for security services at FLL. The cost of these services was approximately \$29,245,000 for the year ended September 30, 2023.

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 \$15,698,000 for the year ended September 30, 2023.

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, 2023, was approximately \$28,000. 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, 2023, were approximately \$141,000.

At September 30, 2023, there was a net payable to \$9,961,000 to 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.

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.

A business owner filed this case asserting an inverse condemnation claim associated with the expansion of the South Runway. Notwithstanding extensive discovery inquiries throughout the litigation, the plaintiff for the first time in November 2023 expressed that it believes its damages are approximately \$20,000,000. County believes there is no merit to the plaintiff's claim as presented. The parties participated in court ordered non-binding arbitration on December 21, 2023. The arbitrator recently ruled in favor of the County. The plaintiff has now asked for a trial which is expected to take place in the first quarter of 2024.

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.

BROWARD COUNTY AVIATION DEPARTMENT
 REQUIRED SUPPLEMENTARY INFORMATION
 Unaudited

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>2023</u> | |
|-------------------------------|--------------------------|----------------------|
| JetBlue Airways | 3,447,054 | 20.2% |
| Spirit Airlines | 4,900,677 | 28.6% |
| Southwest Airlines | 2,429,326 | 14.2% |
| Delta Air Lines | 1,913,782 | 11.2% |
| United Airlines | 1,149,833 | 6.7% |
| American Airlines | 917,531 | 5.4% |
| Air Canada | 448,452 | 2.6% |
| Allegiant Air | 460,120 | 2.7% |
| Silver Airways | 143,317 | 0.8% |
| Others | <u>1,306,582</u> | <u>7.6%</u> |
| Total Enplanements | <u><u>17,116,674</u></u> | <u><u>100.0%</u></u> |

NOTE 15 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

BCAD has entered into noncancellable SBITAs with various vendors for the intangible right-to-use SBITA assets. The SBITA terms included noncancellable periods per the contract plus/minus any extension options or termination options BCAD is reasonably certain to exercise. BCAD recognized \$8,801,000 initial right-to-use SBITA assets balances, amortization of \$2,144,000 for the right-to-use asset balance of \$6,657,000 net of amortization as of September 30, 2023.

A summary of future payments for SBITA arrangements is as follows (in thousands):

| <u>Fiscal Year (s)</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|------------------------|----------------------|------------------------|
| 2024 | \$ 2,833 | \$ 158 | \$ 2,980 |
| 2025 | 2,788 | 79 | 2,850 |
| 2026 | 1,113 | 15 | 1,127 |
| 2027 | <u>72</u> | <u>1</u> | <u>73</u> |
| Total | <u><u>\$ 6,806</u></u> | <u><u>\$ 253</u></u> | <u><u>\$ 7,031</u></u> |

BROWARD COUNTY AVIATION DEPARTMENT
 REQUIRED SUPPLEMENTARY INFORMATION
 Unaudited

NOTE 16 – IMPLEMENTATION OF GASB STATEMENT NO. 96, SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

Statement No. 96, *Subscription -Based Information Technology Arrangements*, was implemented during fiscal year 2023. The new standard requires the reporting of certain subscription based assets and liabilities, which were previously not reported. The result of these changes impacted the beginning subscription asset and liabilities as follows (in thousands):

| | Intangible Asset | Subscription Liability |
|---|------------------|------------------------|
| Statement of Net Position | | |
| Balances September 30, 2022, as previously reported | \$ - | \$ - |
| Change to implement GASB No. 96 | 8,821 | 8,821 |
| Balances October 1, 2022, as restated | \$ 8,821 | \$ 8,821 |

NOTE 17 – EXTRAORDINARY ITEM

In April Fort Lauderdale International Airport was inundated by a lingering storm with a rainfall total of over 26 inches in a 24 hour period. The rain caused the airfield and surrounding area of the airport to severely flood thereby stopping all air and vehicular traffic. The airfield was closed for over 30 hours following the rains to allow crews to clean up the airfield and ready it for the resumption of air traffic. As a result of the standing water on the airfield, the Engineered Materials Arresting System (EMAS) on the east end of the north runway came apart. The purpose of an EMAS is to stop an aircraft that has overshoot the runway with no human injury and minimal aircraft damage. A post storm damage assessment rendered the EMAS bed irreparably damaged and recommended a full replacement of the EMAS bed in order comply with Federal Aviation Administration requirements for runway safety. BCAD has submitted documentation to the Federal Emergency Management Agency (FEMA) requesting funding reimbursement for the replacement of the EMAS bed.

A new EMAS bed had been installed during the north runway rehabilitation project in 2019 and had an estimated useful life of 20 years. As the indicator of impairment was physical damage, the Restoration cost approach was utilized to record the resulting impairment loss of \$10,233,000. The demolition cost of the old EMAS bed was accrued in the amount of \$1,153,000.

BROWARD COUNTY AVIATION DEPARTMENT
 REQUIRED SUPPLEMENTARY INFORMATION
 Unaudited

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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Service Cost | \$ 89 | \$ 181 | \$ 178 | \$ 128 | \$ 102 | \$ 90 |
| Interest | 85 | 71 | 70 | 90 | 86 | 68 |
| Difference between actual and expected experience | 53 | (688) | (119) | 266 | (58) | 60 |
| Assumptions Changes | (24) | (594) | (8) | 400 | 160 | (26) |
| Benefits Payments. | <u>(100)</u> | <u>(114)</u> | <u>(128)</u> | <u>(108)</u> | <u>(101)</u> | <u>(96)</u> |
| Net Change in OPEB | <u>103</u> | <u>(1,144)</u> | <u>(7)</u> | <u>776</u> | <u>189</u> | <u>96</u> |
| Total OPEB Liability beginning | \$ 1,547 | \$ 2,691 | \$ 2,698 | \$ 1,922 | \$ 1,733 | \$ 1,637 |
| Total OPEB Liability ending | <u>\$ 1,650</u> | <u>\$ 1,547</u> | <u>\$ 2,691</u> | <u>\$ 2,698</u> | <u>\$ 1,922</u> | <u>\$ 1,733</u> |
| Covered Employee Payroll | \$ 41,195 | \$ 28,138 | \$ 27,349 | \$ 28,205 | \$ 24,647 | \$ 24,967 |
| Total as a percentage of Covered Employee Payroll | 4.01% | 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)**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 ² | 2015 ² | 2014 ² |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|-------------------|-------------------|
| BCAD's proportion of the net pension liability (asset) | 0.07735% | 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) | \$ 27,361 | \$ 25,099 | \$ 2,408 | \$ 27,258 | \$ 20,570 | \$ 17,105 | \$ 15,968 | \$ 13,186 | \$ 7,029 | \$ 3,347 |
| BCAD's covered payroll | \$ 28,910 | \$ 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 | 94.64% | 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 | 82.38% | 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)**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 ² | 2015 ² | 2014 ² |
|--|------------|------------|------------|------------|------------|------------|------------|-------------------|-------------------|-------------------|
| Contractually required contribution | \$ 3,512 | \$ 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 | \$ (3,512) | \$ (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 | \$ 32,256 | \$ 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 | 10.89% | 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)**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 ² | 2015 ² | 2014 ² |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|-------------------|-------------------|
| BCAD's proportion of the net pension liability (asset) | 0.09755% | 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) | \$ 13,504 | \$ 8,126 | \$ 9,903 | \$ 9,929 | \$ 8,645 | \$ 7,799 | \$ 7,504 | \$ 8,041 | \$ 6,914 | \$ 6,365 |
| BCAD's covered payroll | \$ 38,733 | \$ 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 | 34.87% | 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 | 4.12% | 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)**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 ² | 2015 ² | 2014 ² |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|-------------------|-------------------|
| Contractually required contribution | \$ 764 | \$ 584 | \$ 564 | \$ 572 | \$ 555 | \$ 499 | \$ 427 | \$ 383 | \$ 279 | \$ 246 |
| Contributions in relation to the contractually required contribution | \$ (764) | \$ (584) | \$ (564) | \$ (572) | \$ (555) | \$ (499) | \$ (427) | \$ (383) | \$ (279) | \$ (246) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| BCAD's covered payroll | \$ 38,209 | \$ 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 | 2.00% | 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, 2023 was increased to 4.87% from 4.77%. 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, 2023 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

| | 2023 |
|---|------------|
| Revenues | \$ 304,710 |
| Interest income* | 11,624 |
| Current expenses** | (250,937) |
| Net revenues | 65,397 |
| Transfer from General Purposes & Rate Stabilization Account | 133,006 |
| Net revenues and transfers available for debt service | \$ 198,403 |
| | |
| Debt service | |
| Series 2012P-1 Bonds | 28,474 |
| Series 2012P-2 Bonds | 11,531 |
| Series 2012Q-1 Bonds | 21,602 |
| Series 2012Q-2 Bonds | 3,045 |
| Series 2013A Bonds | 4,633 |
| Series 2013B Bonds | 1,615 |
| Series 2013C Bonds | 5,876 |
| Series 2015A Bonds | 28,573 |
| Series 2015B Bonds | 479 |
| Series 2015C Bonds | 6,243 |
| Series 2017 Bonds | 19,350 |
| Series 2019A Bonds | 27,170 |
| Series 2019B Bonds | 5,461 |
| Series 2019C Bonds | 28,676 |
| Passenger facility charge and grant offset | (54,991) |
| Total debt service | \$ 137,737 |
| | |
| Debt service coverage | 144% |
| Required debt service coverage per bond resolution | 125% |

* Interest income excludes net unrealized gains on investments of \$11,768 for fiscal year 2023. This also includes \$5,396 of interest on leases.

** Current expenses exclude pension adjustments relating to GASB Statement No. 68 of \$8,417 for the fiscal year 2023.

**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, 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 Fund (the BCAF), a major enterprise fund of Broward County, Florida (the County), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the BCAF's financial statements, and have issued our report thereon dated March 25, 2024.

Report on Internal Control over Financial Reporting

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

Fort Lauderdale, Florida
March 25, 2024