

Broward County Aviation Department

A Major Fund of Broward County, Florida

Financial Statements

For the Years Ended September 30, 2021 and 2020

BROWARD COUNTY AVIATION DEPARTMENT
 FINANCIAL STATEMENTS
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Broward County Aviation Department (BCAD), an enterprise fund of Broward County, Florida, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise BCAD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BCAD, as of September 30, 2021 and 2020, and the changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only BCAD, and do not purport to, and do not, present fairly the financial position of Broward County, Florida, as of September 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules related to the pension and other post-employment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise BCAD's basic financial statements. The schedule of net revenue and debt coverage calculation is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of net revenue and debt coverage calculation is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of net revenue and debt coverage calculation is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2022, on our consideration of BCAD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 BCAD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCAD's internal control over financial reporting and compliance.

RSM US LLP

Fort Lauderdale, Florida
March 21, 2022

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, 2021 and 2020. 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 2021

- In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social interruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. Travel restrictions were put in place in March 2020, which severely impacted airport operating revenue for the rest of fiscal year 2020. In fiscal year 2021, travel restrictions were lifted as more persons became vaccinated against the virus. This resulted in an improvement in revenue from airport operations for the latter part of the period.
- BCAD's assets and deferred outflows of resources exceeded liabilities and deferred inflows at the close of fiscal year 2021 by \$1.8 billion.
- Total revenue bonds payable were \$2.5 billion at September 30, 2021, a decrease of \$101.3 million, or 3.8%, less than fiscal year 2020, attributed to the repayment of bond principal.
- Operating revenues were \$295.2 million in fiscal year 2021, which represents a 13.8% decrease over fiscal year 2020. In comparison to fiscal year 2020, there were notable increases in rental cars, parking and concession revenues of 21.7%, 19.3% and 18.2% respectively, also as result of the recovery of air travel to leisure destinations as travel restrictions eased. Other non-airline revenues such as non-airline terminal rents and other rents increased by 24.8%. While enplanements and landed weights showed increases of 16.8% and 11.7% respectively, airline revenues showed a decrease of \$73.6 million, or 35.0% over fiscal year 2020. The airline revenue decrease was driven by the fiscal year 2020 release of previously deferred revenues of \$57.8 million as well as an airline settlement of \$37.4 million to cover the shortfall in operating revenues to ensure coverage of the Bond Resolution rate covenant in fiscal year 2020.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Operating expenses, excluding depreciation, were \$159.8 million in fiscal year 2021, representing a 6.7% decrease over fiscal year 2020. The decrease is mainly due to decreases in salaries and wages, contractual services, as well as general and administrative expenditures.
- Capital contributions were \$44.7 million in fiscal year 2021 and are comprised primarily of amounts received from the Federal Aviation Administration's (FAA), and Florida Department of Transportation (FDOT).
- The net position increased by \$91.0 million, or 52.3% less than fiscal year 2020.

Activity Highlights

Passenger enplanements at FLL increased by 16.8% during fiscal year 2021 as travel restrictions were lifted. The decrease in enplanements in fiscal year 2020 over fiscal year 2019 was 41.2%. The increases in commercial aviation operations, cargo operations and in general aviation operations of 10.7, 16.2% and 32.2% respectively resulted in an overall decrease in aircraft operations in fiscal year 2021 of 14.1% compared with fiscal year 2020. Below is a comparative table of activities by fiscal year:

Activity	Fiscal Years Ended September 30		
	2021	2020	2019
Enplanements	12,482,905	10,683,612	18,164,427
Landed weight (1,000 pounds)			
Passenger airlines	14,373,480	13,005,508	19,166,207
Cargo airlines	498,726	393,879	490,556
General aviation	545,719	406,945	486,483
Total landed weight	15,417,925	13,806,332	20,143,246
Aircraft operations	251,204	220,158	323,648

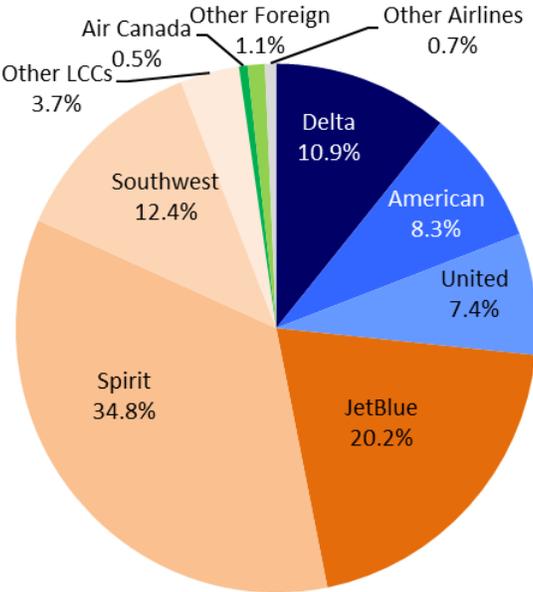
BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Airline Market Share and Passenger Enplanements

In fiscal year 2021, the nine Signatory Airlines represented 98% of enplanements, of which the top five airlines totaled 87%. This diversity reduces the reliance on the performance of one dominant airline. It is noteworthy that Spirit Airlines has steadily increased their share over the years and was on top of the leaderboard in fiscal year 2021 with enplanements of 35%.

Passenger Enplanements	Fiscal Years Ended September 30					
	2021		2020		2019	
Spirit Airlines	4,348,776	35%	2,843,786	27%	4,053,992	22%
JetBlue Airways	2,524,385	20%	2,236,408	21%	4,295,418	24%
Southwest Airlines	1,541,982	12%	1,991,075	19%	3,671,169	20%
Delta Air Lines	1,355,814	11%	990,027	9%	1,813,691	10%
American Airlines	1,040,772	8%	721,922	7%	965,141	5%
United Airlines	927,232	7%	650,414	6%	1,087,381	6%
Air Canada	66,388	1%	257,644	2%	424,174	2%
Allegiant Air	347,327	3%	292,550	3%	480,444	3%
Silver Airways	79,382	1%	71,158	1%	182,444	1%
Others	250,847	2%	628,628	6%	1,190,573	7%
Total Enplanements	12,482,905	100%	10,683,612	100%	18,164,427	100%

The Low Cost Carriers' (LCC) market share of enplanements (shaded in orange hues below) was 71.1% in fiscal year 2021, which represents an increase of 0.4 percentage points compared with fiscal year 2020 and a significant increase from the LCC's 59.9% market share 10 years ago.



BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

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

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

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

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

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

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Position

The Statement of Net Position presents BCAD's financial position at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The following is a comparative summary of BCAD's assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position for the fiscal years ended September 30, 2021, 2020 and 2019 (in thousands):

Net Position	Fiscal Years Ended September 30		
	2021	2020	2019
Assets			
Current and other assets	\$ 1,359,057	\$ 1,396,753	\$ 991,009
Capital assets, net	3,172,225	3,166,228	3,078,697
Total assets	4,531,282	4,562,981	4,069,706
Deferred outflow of resources	60,166	65,696	12,675
Liabilities			
Current liabilities	234,150	248,891	350,079
Noncurrent liabilities	2,492,056	2,625,617	2,167,374
Total liabilities	2,726,206	2,874,508	2,517,453
Deferred inflow of resources	20,924	879	2,597
Net investment in capital assets	1,060,568	1,059,547	979,509
Restricted	480,907	450,533	451,348
Unrestricted	302,843	243,210	131,474
Total Net Position	\$ 1,844,318	\$ 1,753,290	\$ 1,562,331

Total net position as of September 30, 2021, was \$1.8 billion, representing an increase of \$91.0 million, or 5.2% compared to 2020. Total net position as of September 30, 2020, was \$1.8 billion, representing an increase of \$191.0 million, or 12.2%, compared to 2019.

At September 30, 2021, 57.5% of BCAD's net position is represented by its net investment in capital assets. These capital assets are used to provide services to passengers and visitors to the airports. The restricted portion (26.1% at September 30, 2021), 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 (16.4% at September 30, 2021), may be used to meet any of BCAD's ongoing obligations.

Capital assets, net of depreciation increased by \$6.0 million in fiscal year 2021. The increase is mainly attributable to construction in progress relating to the renovations at Terminal 2, 3, and 4.

Current and other assets at September 30, 2021, totaled \$1.4 billion, representing a decrease of \$37.7 million, or 2.7 %, compared to September 30, 2020, primarily due to a reduction in unspent bond proceeds as construction in progress on major projects continued.

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, **deferred outflows and inflows of resources** are reported separately from assets and liabilities. BCAD has five items that qualify for reporting as deferred outflows and inflows of resources. The first item relates to a loss on refunding from a bond refunding in fiscal year 2015, offset by a gain on refunding from a bond refunding during fiscal year 2017 that is reported as a deferred outflow of resources. There were two new items in fiscal year 2020, one relating to a loss on refunding from bond refunding, both current and advance refunding. Due to the advance refunding affecting various series, prior deferred amounts have been affected. There was an overall increase in the deferred amount during fiscal year 2020 due to this bond refunding and bond advance refunding. The second item relates to deferred variances according to GASB Statement No. 68, Accounting and Financial Reporting for Pensions. These deferred variances can occur due to actuarial assumptions that differ between the actual pension plan experience and the original actuarial assumed rates. Differences can result from, among others, earnings on investments, changes in assumptions and other experience gains or losses. A variance represents a gain or a loss, shown as deferred inflows of resources or deferred outflows of resources, respectively, in the statements of net position. These deferred outflows and inflows are amortized in accordance with the provisions of GASB Statement No. 68. Furthermore, employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources. Deferred outflows on pensions decreased by \$3.0 million in fiscal year 2021 compared to fiscal year 2020, and the level of deferred inflows on pensions increased by \$20.0 million during the same period. The third item relates to deferred variances according to GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for other postemployment benefits (OPEB). Deferred outflows on OPEB are \$534,000 in fiscal year 2021 and deferred inflows on OPEB are \$170,000.

Current liabilities at September 30, 2021, are \$234.2 million representing a decrease of \$14.7 million, or 5.9%, over the prior year. This is attributable to a decrease in accrued interest payable and accrued liabilities as well as accounts payable. During fiscal year 2020 current liabilities decreased by \$101.2 million, or 28.9% over 2019.

Noncurrent liabilities decreased by \$133.6 million, or 5.1%, during fiscal year 2021 compared to fiscal year 2020 due to the repayment of bond principal. Noncurrent liabilities increased by \$458.2 million, or 21.1% during fiscal year 2020 mainly due to the issue of the Series 2020ABC Bonds in November 2019.

At September 30, 2021, there are \$190.1 million in unamortized bond premiums, net of unamortized bond discounts, primarily from the new money issues in fiscal years 2012, 2013, 2015, 2017 and 2020, and the refunding issues in fiscal years 2012, 2015 and 2020. At September 30, 2020, there were \$207.4 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, 2021, 2020 and 2019 (in thousands):

Summary of Revenues, Expenses and Changes in Net Position	Fiscal Years Ended September 30		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 295,201	\$ 342,576	\$ 306,141
Operating Expenses	159,833	171,342	196,692
Operating income before depreciation	135,368	171,234	109,449
Depreciation	131,779	124,245	126,073
Operating Income	3,589	46,989	(16,624)
Nonoperating Revenues (Expenses)	42,745	84,561	8,814
Capital Contributions	44,694	59,409	54,141
Change in Net Position	91,028	190,959	46,331
Net Position - Beginning of Year, as previously reported	1,753,290	1,562,331	1,516,000
Total Net Position - Beginning of Year, as restated	1,753,290	1,562,331	1,516,000
Total Net Position - End of Year	\$ 1,844,318	\$ 1,753,290	\$ 1,562,331

In fiscal year 2021, operating revenues increased by \$47.4 million, or 13.8%, while operating expenses decreased \$11.5 million, or 6.7%, compared to the same period last year.

During fiscal year 2020, operating revenues increased by \$36.4 million, or 11.9%, while operating expenses decreased \$25.4 million, or 12.9%, compared to fiscal year 2019.

Overall, BCAD's net position increased by \$91.0 million in fiscal year 2021 compared to an increase of \$191.0 million during fiscal year 2020. 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**

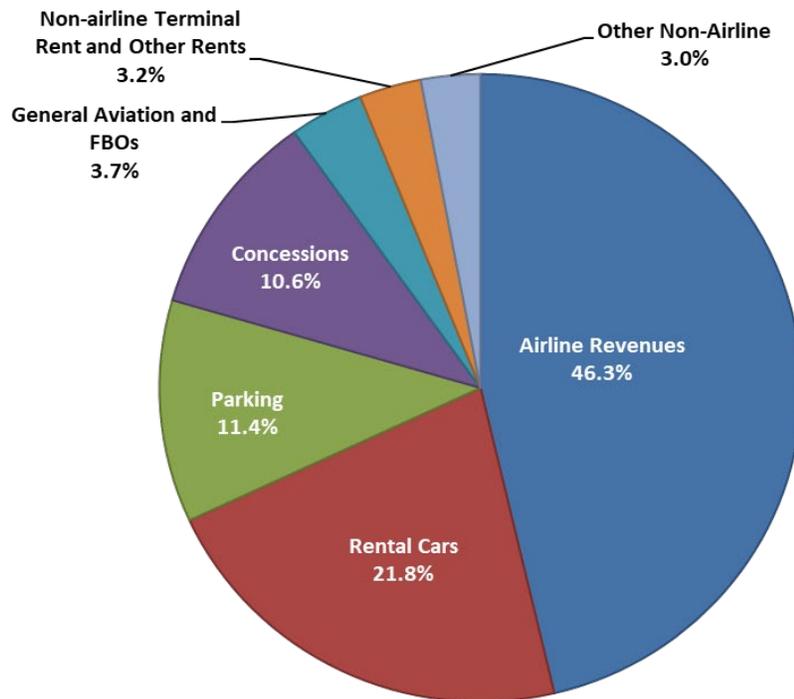
Operating Revenues

The major sources of operating revenues for the fiscal years ended September 30, 2021, 2020 and 2019 are (in thousands):

Operating Revenues	Fiscal Years Ended September 30		
	2021	2020	2019
Airline revenues	\$ 136,692	\$ 210,338	\$ 121,053
Rental cars	64,252	52,794	65,645
Parking	33,783	28,328	53,228
Concessions ¹	31,414	26,569	44,797
General aviation and fixed based operators	11,044	8,316	7,575
Non-airline terminal rent and other rents	9,218	7,389	6,222
North Perry Airport	1,671	1,640	1,561
Cargo	2,576	1,879	2,066
Miscellaneous operating revenues	4,551	5,323	3,994
Total Operating Revenues	\$ 295,201	\$ 342,576	\$ 306,141

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

Fiscal year 2021 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 \$73.6 million, or 35.0%, in fiscal year 2021, in accordance with the residual rate-making formula in the airline agreements. The decrease was driven by the fiscal year 2020 release of the prior year liability (unearned revenues) of \$57.8 million and an airline settlement of \$37.4 million, in accordance with the provisions of the airline agreement, to ensure compliance with the rate covenant per the Bond Resolution. Airline revenues represented 46.3% of overall operating revenues in fiscal year 2021, resulting in a favorable CPE of \$10.96 that is still below the industry average for a large hub airport.

Airline Cost per Enplanement (in thousands)	Fiscal Years Ended September 30		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Airline revenues	\$ 136,692	\$ 210,338	\$ 121,053
Take out: Airline revenue adjustment	-	(95,222)	4,035
Airline revenues, excluding revenue adjustment	\$ 136,692	\$ 115,116	\$ 125,088
Enplaned passengers	12,482,905	10,683,612	18,164,427
Average Cost Per Enplanement (CPE)	\$10.96	\$10.78	\$6.89

Airline revenues increased by \$89.3 million, or 73.8%, in fiscal year 2020 mainly due to the release of prior year liability (unearned revenues) of \$57.8 million and an airline settlement of \$37.4 million, in accordance with the provision of the airline agreement, to ensure compliance with the rate covenant per the Bond Resolution. Airline revenues represented 61.4% and 39.5% of overall operating revenues in fiscal years 2020 and 2019, respectively.

Non-airline revenues represented 53.7% of total operating revenues in fiscal year 2021, up from 38.6% in fiscal year 2020. 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 2021 due to increased passenger activity. The increase in non-airline revenues has contributed to the ability to maintain low terminal rents and landing fees that result in a low CPE. This low-cost structure makes FLL attractive to air carriers, especially low-cost carriers.

BROWARD COUNTY AVIATION DEPARTMENT
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Rental car revenues, including customer facility charges (“CFCs”) and rental car commissions increased by 21.7% to \$64.3 million in fiscal year 2021 when compared to fiscal year 2020. In fiscal year 2020 rental car revenues had decreased to \$52.8 million when compared to fiscal year 2019 as a direct impact of decreased travel as a result of the COVID-19 pandemic. Rental car revenues represented the largest source of non-airline revenues in fiscal year 2021 at 21.8% of total operating revenues. CFCs are fees charged by the on-airport rental car companies and are a per-day charge on a car rental. In addition to certain ground rental payments, BCAD receives revenues from automobile rental companies under agreements which guarantee annual minimum payments or, if greater, a percentage of gross revenues from automobile rentals at FLL. BCAD negotiated a new rental car agreement effective fiscal year 2020 with 7 rental car companies representing 14 brands operating at the consolidated rental car facility located on airport property. This agreement results in three new brands operating at the facility (with one brand exiting), and will enhance revenue through additional CFC’s from the new entrants, and revenue and rent enhancements included in the negotiations.

Parking revenues increased by \$5.5 million or 19.3 % in fiscal year 2021, following a decrease of \$24.9 million, or 46.8% in fiscal year 2020 compared to 2019. At 11.4% of total operating revenues for fiscal year 2021, the County-owned parking facilities at FLL are some of the largest sources of revenues other than payments by the airlines and rental car revenue. Since fiscal year 2008 passengers have increasingly sought alternative transportation to and from the airport, including the use of TNCs and a shift toward less expensive off-site airport parking. In addition, there has been a shift in the mix of passengers from local residents, who use the parking facilities, towards visitors to South Florida. The parking facilities also compete with several off-airport private parking operators that provide free shuttle service to their customers.

Concession revenues (excluding rental car commissions) increased by \$4.8 million or 18.2% in fiscal year 2021 versus 2020, and decreased by \$18.2 million, or 40.7%, in fiscal year 2020, compared to fiscal year 2019. Concession revenues, which accounted for 10.6% of non-airline operating revenues in fiscal year 2021, increased mainly due to an increase in operations of food and beverage concessions as a direct result of the increase in passenger traffic, and reopening of some concourses as leisure passenger traffic recovered from the COVID-19 pandemic impacted fiscal year 2020 decreased activity. Within the category of concessions, food and beverage amounted to \$13.7 million (4.6%) of operating revenue, up \$2.3 million (20.5%) from fiscal year 2020. Retail including news and gift, specialty retail, and duty free amounted to \$9.8 million (3.3%) of fiscal year 2021 operating revenues, up \$3.0 million (43.5%) from the prior fiscal year. BCAD has a proactive approach to increasing non-airline revenues, which includes the renovation of concession areas and soliciting new concession vendors. The revenues paid to BCAD under these concession agreements are usually based on the greater of certain annual minimum guarantees or a percentage of gross revenues received by the concessionaires.

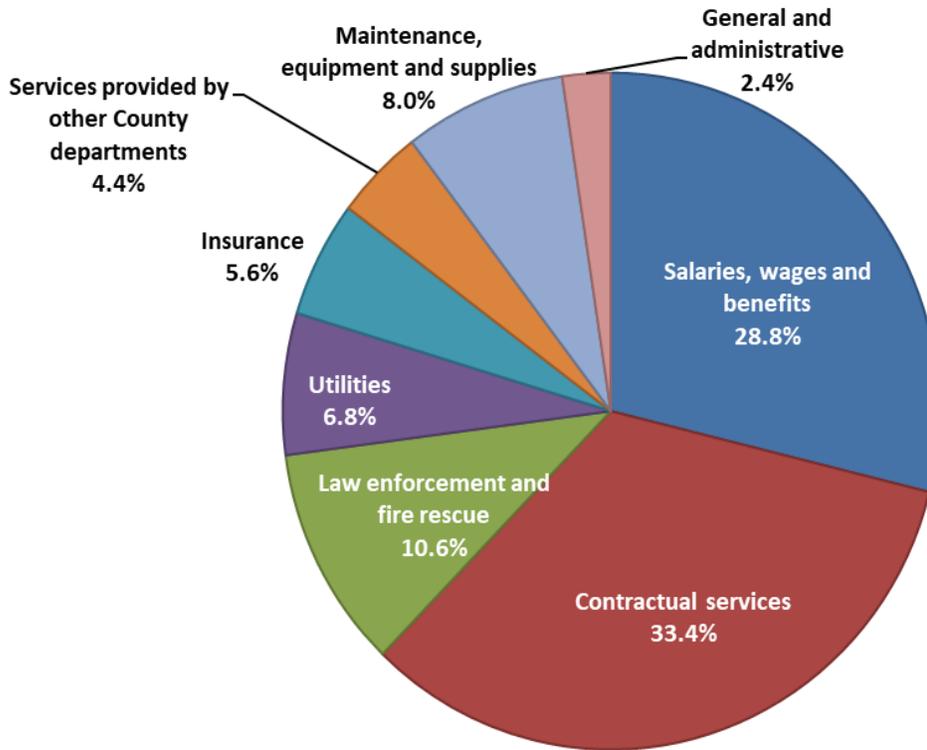
**BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Operating Expenses

The table below shows the major categories of operating expenses for the fiscal years ended September 30, 2021, 2020 and 2019 (in thousands):

Operating Expenses	Fiscal Years Ended September 30			
	2021	2020	2019	2018
Salaries, wages and benefits	\$ 46,099	\$ 55,666	\$ 52,380	\$ 44,366
Contractual services	53,404	56,029	66,295	62,339
Law enforcement and fire rescue	17,050	17,589	34,125	31,625
Utilities	10,805	9,914	10,901	10,898
Insurance	8,892	8,459	7,355	5,115
Services provided by other County departments	7,004	5,983	5,649	5,194
Maintenance, equipment and supplies	12,787	12,570	14,050	11,012
General and administrative	3,792	5,132	5,937	5,292
Total Operating Expenses	\$ 159,833	\$ 171,342	\$ 196,692	\$ 175,841

The chart below shows the distribution of operating expenses, excluding depreciation, for the fiscal year 2021:



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall operating expenses in fiscal year 2021 decreased by \$11.5 million or 6.7% compared to fiscal year 2020.

Salaries, wages and benefits decreased by \$9.6 million, or 17.2%, in fiscal year 2021 from fiscal year 2020 as more people moved out of BCAD and vacancies remained unfilled longer than expected. In fiscal year 2020 salaries, wages and benefits increased by \$3.3 million, or 6.3%, from fiscal year 2019. Salaries, wages and benefits accounted for 28.8% of total operating expenses before depreciation in fiscal year 2021.

Contractual services consist mainly of parking and ground transportation management fees, shuttle service costs, security costs, janitorial and other maintenance contracts and various professional fees. Contractual services decreased by \$2.6 million, or 4.7%, in fiscal year 2021 from fiscal year 2020 as a result of decreased ground transportation management fees and reductions in parking management, security, janitorial and shuttle services costs. The decreases in passenger activity resulted in these cost reductions.

Law enforcement and fire rescue expenses decreased \$0.5 million, or 3.1%, in fiscal year 2021 to \$17.1million from \$17.6 million in fiscal year 2020. These expenses represented 10.7% of total operating expenses before depreciation in fiscal year 2021. In fiscal year 2021, as in fiscal year 2020, under the provisions of the CARES Act, a portion of eligible law enforcement and fire rescue expense were transferred to the County's CARES Act Special Revenue fund. Law enforcement and fire rescue expenses decreased \$16.5 million to \$17.6 million, or 48.5% in fiscal year 2020 in comparison to fiscal year 2019.

Utilities expenditure in fiscal year 2021 experienced an increase of \$0.9 million or 9.0% compared to fiscal year 2020. These costs decreased \$1.0M or 9.1% in fiscal year 2020 in comparison to 2019.

Insurance costs increased by \$0.4 million, or 5.1%, from fiscal year 2021 to fiscal year 2020, due to an increase in the insurance premiums. This category of expenditure increased by \$1.1 million, or 15.0%, from fiscal year 2019 to fiscal year 2020.

Services provided by other County departments increased by \$1.0 million, or 17.1%, in fiscal year 2021 from fiscal year 2020. The increase in services provided by other County departments is mainly attributable to the increased cost allocation chargebacks as a result of our larger share of records, general increases in public communications and purchasing, and additionally more audits performed by the County Auditor. Services provided by other County departments increased by \$0.3 million, or 5.9%, in fiscal year 2020.

Maintenance, equipment and supplies increased by \$0.2 million, or 1.7%, from fiscal year 2021 to fiscal year 2020, mainly due to the reduction of cost curtailments in response to increased passenger traffic. Maintenance, equipment and supplies decreased by \$1.5 million, or 10.5%, from fiscal year 2020 to fiscal year 2019 due to closures of some parts of the airport due to reduced passenger traffic during the COVID-19 pandemic.

General and administrative services decreased \$1.3 million, or 26.1%, in fiscal year 2021 compared to fiscal year 2020, which, in turn, was \$0.8 million, or 13.6%, less than fiscal year 2019. The decrease in both fiscal years 2021 and 2020 is mainly attributable to a reduction in credit card fees due to lower parking activity.

Depreciation expense increased \$7.5 million or 6.1% in fiscal year 2021 compared to the prior year. The increase was primarily the result of several construction projects being completed and transferred to assets which began generating depreciation. There was a decrease of \$1.8 million or 1.4% in fiscal year 2020 due to several assets having been fully depreciated in that year.

Non-operating revenues (expenses), represent passenger facility charges (PFCs), interest income and expense, bond issuance costs, and other non-operating revenues and expenses. Overall non-operating revenues, net of expenses, were significantly lower in fiscal year 2021 than the previous year by \$41.8 million or 49.5%. This is mainly

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

attributable to a \$27.5 million decrease in federal grants, decreased interest and investment income of \$18.7 million, increased interest expense on bonds of \$12.3 million for new bonds issued in fiscal year 2020 which was partially offset by no bond issuance costs being incurred in fiscal year 2021. In fiscal year 2020 there was also \$8.8 million recorded in other income primarily due to a refund of prior year expenditures related rebate and prepayment of costs paid to Broward County Building Code Services for \$5.4M and \$1.0M in FEMA proceeds for hurricane Wilma.

PFCs increased \$18.9 million, or 48.9% in fiscal year 2021 compared to fiscal year 2020 due to increased passenger numbers. In fiscal year 2020, PFCs decreased \$36.2 million, or 48.4% compared to fiscal year 2019 due to decreased passenger activity as a result of the COVID-19 pandemic. PFCs are authorized for collection at FLL at \$4.50 per enplaning passenger and remitted to the airport net of a \$0.11 collection charge retained by the airlines.

Capital contributions consist of grants from the federal and state governments. Capital contributions in fiscal year 2021 were \$14.7 million less at \$44.7 million compared to \$59.4 million in fiscal year 2020.

Grants contributions received during the fiscal year were mostly in support of airfield project totaling \$35.6M, terminal improvements totaling \$5.7M.

Capital Acquisition and Construction Activities

During fiscal year 2021 BCAD expended \$137.8 million on capital acquisitions and projects under construction, compared to \$458.0 million during fiscal year 2020. The amounts expended on capital acquisitions and major projects under construction during fiscal year 2021, are as follows (in thousands):

Capital Acquisitions and Projects under Construction during Fiscal Year 2021	
Noise Mitigation Avigation Easements relating to South Runway Expansion	\$ 1,045
Miscellaneous Capital Acquisitions <\$1 million	1,113
Projects Under Construction:	
Terminal Improvements	103,067
Airfield Projects	1,442
Terminal In-line Baggage Systems	6,209
Utilities Upgrades	3,184
Terminal Roadway	3,607
Terminal Connectors	1,792
Campus Wayfinding Plan	878
System Improvements	2,318
Airport Master Plan	1,681
Airport Noise Compatibility Planning	-
Parking Facility and System Improvements	7,546
Miscellaneous Projects < \$1 million	3,892
Total	\$ 137,774

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Major projects completed and the amounts transferred to fixed assets during fiscal year 2021, are as follows (in thousands):

Capital Projects Completed during Fiscal Year 2021	
Terminal Improvements	\$ 151,133
Terminal 4 Baggage Systems	\$ 43,917
Campus Wayfinding Plan	\$ 12,832
Terminal Roadway Improvemnts	\$ 11,469
Airport Master Plan	\$ 5,015
Part 150 Update	\$ 2,303
Miscellaneous Projects < \$1 million	\$ 8,749
Total	\$ 235,418

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

Debt Administration

As of September 30, 2021, 2020 and 2019, BCAD had \$2.4 billion, \$2.5 billion and \$2.0 billion, respectively, in outstanding long-term revenue bonds. These bonds are secured by a pledge of and lien on net revenues, as defined in the Bond Resolution.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarizes the outstanding bonded indebtedness as of September 30, 2021 (in thousands):

Airport System Revenue Bonds				
	<u>Outstanding</u> Principal	<u>Expected To Be Paid From</u>		<u>Final</u> Maturity *
		<u>PFCs/Grants</u>	<u>Airport</u> Revenues	
Bond Series				
2001 J-2	\$ 14,765	\$ -	\$ 14,765	2021
2012 P-1	94,845		94,845	2026
2012 P-2	36,525	15,399	21,126	2026
2012 Q-1	229,350	229,350		2042
2012 Q-2	13,185		13,185	2042
2013 A	23,375		23,375	2043
2013 B	9,395		9,395	2043
2013 C	29,660	29,660		2043
2015 A	401,800		401,800	2045
2015 B	9,575		9,575	2045
2015 C	24,735	24,735		2025
2017	283,325		283,325	2047
2019A	429,290		429,290	2049
2019B	59,785		59,785	2029
2019C	715,160	409,286	305,874	2043
Total Bond Indebtedness	\$ 2,374,770	\$ 708,430	\$ 1,666,340	

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 2021.

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			2018
	<u>2021</u>	<u>2020</u>	<u>2019</u>	
Airport System Revenue Bonds *	1.50	1.33	1.72	1.38

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

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

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Outlook

FLL is located in Broward County, which, together with neighboring Miami-Dade and Palm Beach counties, comprises the Miami-Fort Lauderdale-Pompano Beach Metropolitan Statistical Area (MSA) according to the U.S. Census Bureau. The MSA is the nation's seventh largest with a population of approximately 6.2 million residents in 2019.

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 4.4% in September 2021, compared to 7.7% for the same period in September 2020 and the state rate of 4.8% national rate of 4.8%. However, as South Florida is a major tourist destination, the majority of FLL passengers are visitors to Broward County and South Florida. BCAD partners with the Convention and Visitors Bureau (CVB), Office of Economic Development (OED) and Port Everglades on marketing and promotional activities.

Over the last few years, FLL has been one of the fastest growing large hub airports in the US and ranked 1st in growth for both calendar years 2017 and 2018. During the 5 year period from 2013 to 2018, FLL's total passenger traffic increased by 13 million passengers, an increase of 57%. Unfortunately this trend was reversed significantly due to the negative effects of the coronavirus. In FY 2019 there was a slight increase in total travel as enplaned passengers grew by 3.0%. However in FY 2020 there was a drastic reduction and enplaned passengers fell by 41.3%.

In FY 2021, the impact of COVID-19 on FLL was less severe than the last half of FY 2020. Due to the aggressive resumption of service by FLL's low cost and legacy carriers, passenger traffic steadily improved and was up 137% by the end of fiscal year 2021 vs. the end of fiscal year 2020.

According to Airports Council International, FLL ranked 13th in total passenger traffic, 9th in international traffic, and most importantly, ranked 8th in the recovery of passenger traffic during fiscal year 2021. FLL had an average of 275 daily departures to 83 cities in the US and 39 international destinations in 20 countries, compared to an average of 260 daily departures in FY 2020.

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

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

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

Request for Information

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

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021 AND 2020
(in thousands)

ASSETS	<u>2021</u>	<u>2020</u>
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	\$ 48,531	\$ 158,667
Investments	276,389	71,243
Receivables		
Accounts receivable, net of allowance of \$5,102 and \$5,138 respectively	24,280	55,050
Interest receivable	337	371
Due from other county funds	-	3,329
Due from other governments	11,878	7,570
Inventories	1,889	1,980
Prepaid items	10,377	14,213
Total current unrestricted assets	<u>373,681</u>	<u>312,423</u>
Restricted Assets		
Cash and cash equivalents	186,707	209,409
Investments	4,303	120
Interest receivable	1,015	1,564
Total current restricted assets	<u>192,025</u>	<u>211,093</u>
Total current assets	<u>565,706</u>	<u>523,516</u>
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents	-	41,128
Investments	785,982	827,861
Passenger facility charges receivable	7,369	1,581
Due from other governments	-	2,667
Capital assets		
Non-depreciable	744,103	848,783
Depreciable, net of accumulated depreciation of \$1,355,186 and \$1,223,666 respectively	2,428,122	2,317,445
Total capital assets, net	<u>3,172,225</u>	<u>3,166,228</u>
Total noncurrent assets	<u>3,965,576</u>	<u>4,039,465</u>
TOTAL ASSETS	<u>\$ 4,531,282</u>	<u>\$ 4,562,981</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 49,809	\$ 52,222
Deferred outflows on Other Post Employment Benefits	534	634
Deferred outflows on pensions	9,823	12,840
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 60,166</u>	<u>\$ 65,696</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF NET POSITION (continued)
SEPTEMBER 30, 2021 AND 2020
(in thousands)

LIABILITIES	<u>2021</u>	<u>2020</u>
Current Liabilities		
Payable from Unrestricted Assets		
Accounts payable	\$ 10,267	\$ 10,716
Accrued liabilities	3,358	6,891
Due to other County funds	11,515	4,941
Due to other governments	867	217
Deposits	5,743	5,334
Unearned revenue	7,252	6,886
Compensated absences	3,123	2,813
Total current liabilities payable from unrestricted assets	<u>42,125</u>	<u>37,798</u>
Payable from Restricted Assets		
Accounts payable	\$ 50,291	\$ 73,777
Accrued interest payable	51,079	53,221
Revenue bonds payable	90,655	84,095
Total current liabilities payable from restricted assets	<u>192,025</u>	<u>211,093</u>
Total current liabilities	<u>234,150</u>	<u>248,891</u>
Noncurrent Liabilities		
Revenue bonds payable, including discounts and premiums	2,474,262	2,582,135
Compensated absences	2,792	3,596
Total other post employment benefits liability	2,691	2,698
Net pension liability	12,311	37,188
Total noncurrent liabilities	<u>2,492,056</u>	<u>2,625,617</u>
TOTAL LIABILITIES	<u>\$ 2,726,206</u>	<u>\$ 2,874,508</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on Other Post Employment Benefits	\$ 170	65
Deferred inflows on pensions	20,754	814
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 20,924</u>	<u>\$ 879</u>
NET POSITION		
Net investment in capital assets	1,060,568	1,059,547
Restricted for		
Debt service	270,297	295,809
Capital projects	210,610	154,724
Unrestricted	302,843	243,210
TOTAL NET POSITION	<u>\$ 1,844,318</u>	<u>\$ 1,753,290</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 30, 2021 AND 2020
(in thousands)

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Airline revenues	\$ 136,692	\$ 210,338
Rental cars	64,252	52,794
Parking	33,783	28,328
Concessions	31,414	26,569
General aviation and fixed based operators	11,044	8,316
Non-airline terminal rent and other rents	9,218	7,389
North Perry Airport	1,671	1,640
Cargo	2,576	1,879
Miscellaneous	4,551	5,323
Total operating revenues	<u>295,201</u>	<u>342,576</u>
Operating Expenses		
Salaries, wages and benefits	46,099	55,666
Contractual services	53,404	56,029
Law enforcement and fire rescue	17,050	17,589
Utilities	10,805	9,914
Insurance	8,892	8,459
Services provided by other County departments	7,004	5,983
Maintenance, equipment and supplies	12,787	12,570
General and administrative	3,792	5,132
Total operating expenses before depreciation	<u>159,833</u>	<u>171,342</u>
Operating Income before Depreciation	135,368	171,234
Depreciation	131,779	124,245
Operating Income	<u>3,589</u>	<u>46,989</u>
Nonoperating Revenues (Expenses)		
Passenger facility charges	57,581	38,662
Federal grants and financial assistance	71,168	98,679
Interest and investment income/(loss)	1,534	20,260
Interest expense	(87,353)	(75,093)
Bond issuance costs	-	(6,153)
Noise mitigation costs	(585)	(630)
Gain on disposal of capital assets	39	26
Other	361	8,810
Total nonoperating revenues (expenses)	<u>42,745</u>	<u>84,561</u>
Income before Capital Contributions	46,334	131,550
Capital contributions	44,694	59,409
Change in Net Position	<u>91,028</u>	<u>190,959</u>
Total Net Position - Beginning of Period	1,753,290	1,562,331
Total Net Position - End of Period	<u>\$ 1,844,318</u>	<u>\$ 1,753,290</u>

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(in thousands)

	2021	2020
Cash Flows from Operating Activities		
Cash received from customers	\$ 329,861	\$ 241,717
Cash payments to suppliers for goods and services	(105,018)	(130,657)
Cash payments to employees for services	(48,162)	(49,493)
Other cash received	(1,129)	7,237
Net cash provided by operating activities	175,552	68,804
Cash Flows from Noncapital Financing Activities		
Payment of noise mitigation costs	(585)	(630)
Nonoperating grants and financial assistance received	71,168	98,679
Net cash provided by noncapital financing activities	70,583	98,049
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of bonds	-	509,150
Payment to refunded bond escrow agent	-	(6,701)
Payment of bond issuance costs	(124)	(1,612)
Acquisition and construction of property, plant and equipment	(161,134)	(267,589)
Proceeds from sale of capital assets	39	26
Debt principal payment	(84,095)	(67,010)
Interest and fiscal charges	(104,300)	(97,457)
Capital contributions	43,053	103,391
Passenger facility charges received	51,793	45,578
Net cash (used for) provided by capital and related financing activities	(254,768)	217,776
Cash Flows from Investing Activities		
Purchase of investment securities	(1,364,922)	(1,815,834)
Proceeds from sale and maturities of investment securities	1,197,472	1,477,608
Interest and dividends on investments	2,117	21,248
Net cash (used for) investing activities	(165,333)	(316,978)
Net Increase (Net Decrease) in Cash and Cash Equivalents	(173,966)	67,652
Cash and Cash Equivalents, Beginning of Period	409,204	341,552
Cash and Cash Equivalents, End of Period	\$ 235,238	\$ 409,204
Cash and Cash Equivalents - Unrestricted Assets	\$ 48,531	\$ 158,667
Cash and Cash Equivalents - Restricted Assets	186,707	250,537
	\$ 235,238	\$ 409,204

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(in thousands)

	2021	2020
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 3,589	\$ 46,989
Adjustments to reconcile operating income to cash flows from operating activities		
Depreciation expense	131,779	124,245
Other nonoperating revenues	(1,129)	7,237
(Increase) Decrease in assets and deferred outflows of resources		
Accounts receivable	30,770	(40,856)
Due from other County funds	3,329	(3,329)
Inventories	1,581	45
Prepaid items	3,836	(6,038)
Deferred outflows on other post employment benefits	100	(460)
Deferred outflows on pensions	3,017	(1,322)
Increase (Decrease) in liabilities and deferred inflows of resources		
Accounts payable	(453)	(3,791)
Accrued liabilities	(3,533)	3,599
Due to other County funds	6,574	(7,426)
Due to other governments	650	(1,103)
Deposits	409	(878)
Unearned revenues	366	(55,760)
Compensated absences	(494)	621
Total other post employment benefits liability	(7)	776
Net pension liability	(24,877)	7,973
Deferred inflows on other post employment benefits	105	(1)
Deferred inflows on pensions	19,940	(1,717)
Net adjustments	171,963	21,815
Net cash provided by operating activities	\$ 175,552	\$ 68,804
 Noncash Investing, Capital and Financing Activities		
Amortization of bond discount and premiums	\$ (17,218)	\$ (28,212)
Amortization of deferred charge on refunding	2,413	3,199
Bond issuance costs deducted from bond proceeds	-	(4,417)
Issuance of refunding bonds to refund existing debt	-	795,168
Capital contributions	11,878	10,237
Capital assets acquired through current accounts payable	49,888	73,248
Change in fair value of investments	(4,046)	3,826

See notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

C. Implementation of Governmental Accounting Standards Board Statements

BCAD adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2021:

I. GASB Statement No. 84 Fiduciary Activities

GASB Statement No. 84, improves guidance regarding the identification of fiduciary activities and how those activities should be reported. Statement No. 84 focuses on whether a government is controlling assets of the fiduciary activity and the beneficiaries with whom the fiduciary relationship exists. Fiduciary Fund statement include pension trust, investment trust, private purpose trusts, and a new fund-type called custodial funds. BCAD is not legally separate from the County and is no in separate control of custodial assets which it holds and expends for the benefit of others in the normal course of business and therefore the adoption of Statement No. 84 did not have an impact on BCAD's financial statements.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GASB Statement No. 90 Minority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61

GASB Statement No. 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. Both the County and BCAD are not holding a majority equity interest in a legally separate organization as an investment and the adoption of Statement No. 90 did not have an impact on BCAD's financial statements.

3. GASB Statement No. 97 Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

GASB Statement No. 97 increases consistency and comparability related to the reporting of fiduciary component units in circumstances when the potential component unit does not have a governing board, mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements. The requirements of this statement also enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The adoption of Statement No. 97 did not have an impact on BCAD's financial statements.

4. GASB Statement No. 98 The Annual Comprehensive Financial Report

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. This new term and acronym replace instates of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

D. Deposits and Investments

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

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

F. Accounts Receivable

Accounts receivable are composed primarily of monthly billings to airlines and concessionaires operating at BCAD for various rentals and other fees. An allowance for doubtful accounts is provided for receivables where there is uncertainty as to ultimate collectability based on current economic conditions and consideration of the customer's ability to pay. Receivables for BCAD are presented in the accompanying financial statements, net of an allowance for uncollectible accounts.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Due from Other Governments

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

H. Inventories and Prepaid Items

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

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

I. Capital Assets

Capital assets, which include property, plant and equipment, are recorded at cost or, if donated, at acquisition value at the date of donation. The capitalization levels are \$1,000 for equipment and \$5,000 for land and improvements and buildings and facilities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated on the straight-line basis over the following estimated useful lives:

Buildings and Facilities (including property held for leasing)	3-40 years
Equipment	3-15 years

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The category of deferred outflows of resources reported in BCAD's Statement of Net Position relates to debt refunding, other postemployment benefits, and pensions.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Deferred outflows on other postemployment benefits are more fully disclosed in Note 1, Section O and Note 10 while pension activities are more fully disclosed in Note 1, Section P and Note 11. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by BCAD related to other postemployment benefits are more fully disclosed in Note 1, Section O, and Note 10 while those related to pension activities and are more fully disclosed in Note 1, Section P and Note 11.

K. Due to or from Other County Funds

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Unearned Revenue - Airline Fees and Charges

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

M. Long-term Obligations

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

N. Compensated Absences

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

O. Total OPEB Liability

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

P. Pensions

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

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

Q. Net Position and Net Position Flow Assumption

Net position represents the residual interest in BCAD's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets,

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

R. Capital Contributions

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

S. Noise Mitigation Costs

Funds expended for Residential Sound Insulation relating to the Noise Mitigation Program are recorded as non-operating expenses in the period they are incurred. Funds expended for Avigation Easements relating to the Noise Mitigation Program are included in land and land improvements and are not depreciated.

T. Passenger Facility Charges

In 1990, Congress authorized domestic airports to impose a passenger facility charge (PFC) on each departing passenger. Subsequently, the Federal Aviation Administration (FAA) issued regulations for the use and reporting of PFCs. Airports are authorized to use PFCs for projects that must meet at least one of the following eligibility requirements: (1) preserve or enhance safety, security, or capacity of the national transportation system; (2) reduce 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 \$1,060,201,000 and \$1,056,525,000 has been collected as of September 30, 2021 and 2020, respectively. 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, 2021, \$923,243,000 of the collected PFCs had been spent on approved projects or debt service, and the remaining \$187,392,000, along with a PFC receivable of \$7,390,000 and interest receivable of \$288,000, is reflected in the net position restricted for capital projects. As of September 30, 2020, \$917,335,000 of the collected PFCs had been spent on approved projects or debt service, and the remaining \$139,190,000, along with a PFC receivable of \$1,581,000 and interest receivable of \$454,000, is reflected in the net position restricted for capital projects.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Use of Estimates

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2021 and 2020, BCAD's deposits and investments consisted of the following (in thousands):

	September 30,	
	2021	2020
Cash Deposits	\$ 45,121	\$ 36,168
Investments:		
U.S. Treasuries	359,383	331,564
U.S. Agencies	635,074	626,251
Commercial Paper	74,971	8,301
World Bank	9,589	21,904
Money Market Mutual Funds	176,824	283,410
Sovereign Bond	950	830
Total Investments	<u>1,256,791</u>	<u>1,272,260</u>
Total Deposits, and Investments	<u>\$ 1,301,912</u>	<u>\$ 1,308,428</u>

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

	September 30,	
	2021	2020
Current Assets		
Cash and cash equivalents, unrestricted	\$ 48,531	\$ 158,667
Cash and cash equivalents, restricted	186,707	209,409
Investments, unrestricted	276,389	71,243
Investments, restricted	4,303	120
Noncurrent Assets		
Cash and cash equivalents, restricted	-	41,128
Investments, restricted	<u>785,982</u>	<u>827,861</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 1,301,912</u>	<u>\$ 1,308,428</u>

A. Deposits

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

B. Investments

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

Under State Statutes and County Ordinances, the County is authorized to invest in obligations of the U.S. Government, its agencies and instrumentalities, the Florida Local Government Surplus Trust Fund or any intergovernmental investment pool, authorized pursuant to the Florida Interlocal Cooperation Act, repurchase agreements with primary dealers, commercial paper, bonds, notes or obligations of the State of Florida or any municipality, political subdivision or agency or authority of the State, certificates of deposit, securities in certain open-end or closed-end investment companies or trusts, World Bank notes, bonds and discount notes, obligations of the Tennessee Valley Authority, certain money market funds and rated or unrated bonds, notes or instruments backed by the full faith of the government of Israel. The County may also invest in collateralized mortgage obligations, reverse repurchase agreements and asset-backed commercial paper with the approval of the County's Chief Financial Officer. County policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreements.

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

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments in Sovereign Bonds are allowable by the Broward County Investment Policy whether the bonds are rated or unrated.

As of September 30, 2021, the County's investments were held in the County's name. The County's investments are rated as follows:

Rating Service	Investment Type	Rating	
		2021	2020
Standard & Poor's Rating Services	U.S. Treasuries	AA+	AA+
	U.S. Agencies	AA+	AA+
	Commercial Paper	A-1+	A-1+
	World Bank	AAA	AAA
	Money Market Mutual Funds	AAAm	AAAm
	Sovereign Bonds	AA-	AA-
Moody's Investors Services	U.S. Treasuries	Aaa	Aaa
	U.S. Agencies	Aaa	Aaa
	Commercial Paper	P-1	P-1
	World Bank	Aaa	Aaa
	Money Market Mutual Funds	AAAmf	Aaa-mf
	Sovereign Bonds	A1	A-1
Fitch	Commercial Paper	F1+	F1+
	Sovereign Bonds	A+	A+

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

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The investments under this disclosure are detailed below:

Portfolio	September 30	
	2021	2020
Federal Agricultural Mortgage Corporation	29.19%	9.87%
Federal Home Loan Bank	13.29%	21.09%
Federal Farm Credit Bank	12.67%	6.32%
Federal National Mortgage Association	5.12%	5.22%
Federal Home Loan Mortgage Corporation	3.65%	15.02%

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

As of September 2021	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	\$ 359,383	\$ -	\$ 359,383
U.S. Agencies	635,074		635,074
Commercial Paper	74,971		74,971
World Bank	9,589		9,589
Sovereign Bonds	950		950
Total Debt Securities	<u>1,079,967</u>	<u>-</u>	<u>1,079,967</u>
Money Market Mutual Funds	176,824	176,824	-
Total Investments at Fair Value	<u>\$ 1,256,791</u>	<u>\$ 176,824</u>	<u>\$ 1,079,967</u>

As of September 2020	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
Debt Securities:			
U.S. Treasuries	\$ 331,564	\$ -	\$ 331,564
U.S. Agencies	626,251		626,251
Commercial Paper	8,301		8,301
World Bank	21,904		21,904
Sovereign Bonds	830		830
Total Debt Securities	<u>988,850</u>	<u>-</u>	<u>988,850</u>
Money Market Mutual Funds	283,410	283,410	-
Total Investments at Fair Value	<u>\$ 1,272,260</u>	<u>\$ 283,410</u>	<u>\$ 988,850</u>

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

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

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 3 - RESTRICTED ASSETS

Restricted assets of BCAD at September 30, 2021 and 2020, represent amounts restricted for debt service and for construction and improvements of the FLL and HWO airport and aviation facilities under the terms of outstanding bond agreements. The bond reserve accounts represents 125% of the average annual principal and interest requirements for all series of bonds secured by the reserve account. The debt service accounts contain the principal and interest amounts required for payment due on October 1 in addition to funds restricted for future debt service payments. The PFC account contains amounts collected and receivables, but unspent. The bond construction accounts include bond proceeds available for the design and construction of major capital projects. Grant proceeds are amounts received from the sale of assets that were originally acquired through a grant.

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

	September 30,	
	2021	2020
Bond reserve accounts	\$ 170,431	\$ 170,154
Debt service accounts	321,376	349,031
Passenger facility charges account	197,112	141,225
Bond construction accounts	282,906	410,421
Grant proceeds	13,551	13,499
	<u>\$ 985,376</u>	<u>\$ 1,084,330</u>

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

	September 30,	
	2021	2020
Current Restricted Assets		
Cash and cash equivalents	\$ 186,707	\$ 209,409
Investments	4,303	120
Other accounts receivable	1,015	1,564
Noncurrent Restricted Assets		
Cash and cash equivalents	-	41,128
Investments	785,982	827,861
Passenger facility charges receivable	7,369	1,581
Due from other governments	-	2,667
	<u>\$ 985,376</u>	<u>\$ 1,084,330</u>

**BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2021 and 2020, are as follows (in thousands):

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021
Capital assets not being depreciated:				
Construction in progress	\$ 449,016	\$ 129,693	\$ 235,418	\$ 343,291
Land and land improvements	399,069	1,045	-	400,114
Property held for leasing - land and land improvements	698			698
Total capital assets not being depreciated	848,783	130,738	235,418	744,103
Capital assets being depreciated:				
Buildings, facilities and other improvements	2,731,384	234,864		2,966,248
Property held for leasing - buildings, facilities and other improvements	717,786	990		718,776
Equipment	91,941	6,602	259	98,284
Total capital assets being depreciated	3,541,111	242,456	259	3,783,308
Less accumulated depreciation:				
Buildings, facilities and other improvements	912,399	102,127		1,014,526
Property held for leasing - buildings, facilities and other improvements	261,628	22,620		284,248
Equipment	49,639	7,032	259	56,412
Total accumulated depreciation	1,223,666	131,779	259	1,355,186
Total capital assets being depreciated, net	2,317,445	110,677	-	2,428,122
Total capital assets, net	\$ 3,166,228	\$ 241,415	\$ 235,418	\$ 3,172,225
	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Capital assets not being depreciated:				
Construction in progress	\$ 379,101	\$ 183,035	\$ 113,120	\$ 449,016
Land and land improvements	395,282	3,787	-	399,069
Property held for leasing - land and land improvements	698			698
Total capital assets not being depreciated	775,081	186,822	113,120	848,783
Capital assets being depreciated:				
Buildings, facilities and other improvements	2,614,319	117,065		2,731,384
Property held for leasing - buildings, facilities and other improvements	713,483	4,303		717,786
Equipment	76,237	16,722	1,018	91,941
Total capital assets being depreciated	3,404,039	138,090	1,018	3,541,111
Less accumulated depreciation:				
Buildings, facilities and other improvements	816,783	95,616		912,399
Property held for leasing - buildings, facilities and other improvements	239,321	22,307		261,628
Equipment	44,319	6,322	1,002	49,639
Total accumulated depreciation	1,100,423	124,245	1,002	1,223,666
Total capital assets being depreciated, net	2,303,616	13,845	16	2,317,445
Total capital assets, net	\$ 3,078,697	\$ 200,667	\$ 113,136	\$ 3,166,228

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

NOTE 4 - CAPITAL ASSETS (Continued)

As of September 30, 2021, property held for leasing included both non-depreciable capital assets (land and land improvements) of \$698,000 and depreciable capital assets (buildings, facilities and other improvements) of \$718,776,000, totaling \$719,474,000, less accumulated depreciation of \$284,248,000 for a net book value of \$435,226,000.

As of September 30, 2020, property held for leasing included both non-depreciable capital assets (land and land improvements) of \$698,000 and depreciable capital assets (buildings, facilities and other improvements) of \$717,786,000, totaling \$714,181,000, less accumulated depreciation of \$262,488,000 for a net book value of \$455,996,000.

NOTE 5 - LEASE AND CONCESSION AGREEMENTS

Property held for leasing consists of property leased under operating leases to commercial enterprises including signatory airlines through current agreement expiring in 2026. Lease terms vary from one to fifty years and require, in some cases, the construction of leasehold improvements that will be contributed to the County at lease termination.

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30, 2021 (in thousands):

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 131,063
2023	126,043
2024	125,772
2025	124,226
2026	123,965
2027-2031	325,953
2032-2036	70,223
2037-2041	17,534
2042-2046	6,002
2047-2051	1,806
2052-2053	396
Total minimum future revenues	<u>\$ 1,052,983</u>

Minimum future revenues for fiscal years 2022 onwards are based on fiscal year 2022 established rates. Rates are subject to change on an annual basis effective October 1. Total minimum future revenues does not include revenues that may be received under certain concession leases on the basis of a percentage of the tenant's gross revenue in excess of stipulated minimum annual guarantees (MAGs). MAGs amounted to approximately \$58,208,000 and \$40,600,000 for the years ended September 30, 2021 and 2020, respectively.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 6 - AIRLINE-AIRPORT LEASE AND USE AGREEMENT

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

The agreements require that landing fees and terminal rentals be reviewed annually and adjusted, as necessary, so that the total revenue is sufficient to meet BCAD's requirements, as determined by the signatory airline agreements. At the end of the fiscal year, after all required deposits have been made, any remaining excess funds are used to meet the requirements in the following fiscal year. Excess funds, if available, are recorded as unearned revenue by BCAD and have been included in current liabilities payable from unrestricted assets. For the years ended September 30, 2021 and 2020, these funds amounted to \$0 and \$0, respectively. If net revenues (operating revenues less operating expenses) are insufficient to fully fund all required deposits, the deficit can be remediated through a settlement invoice to the airlines and/or a recapture through the subsequent fiscal year's rates.

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended September 30, 2021 and 2020, are as follows (in thousands):

	Balance October 1, 2020	Additions	Deductions	Balance September 30, 2021	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds payable	\$ 2,458,865	\$ -	\$ 84,095	\$ 2,374,770	\$ 90,655	\$ 2,284,115
Unamortized bond premiums and discount	207,365	-	17,218	190,147	-	190,147
Compensated absences	6,409	3,915	4,409	5,915	3,123	2,792
Total other post employment benefits liability	2,698	-	7	2,691	-	2,691
Net pension liability	37,188	-	24,877	12,311	-	12,311
Total	\$ 2,712,525	\$ 3,915	\$ 130,606	\$ 2,585,834	\$ 93,778	\$ 2,492,056

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

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

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, 2021 (in thousands)*:

Airport System Revenue Bonds	Primary Purpose	Type	Interest Payment		Optional (O) or Mandatory (M) Redemption *	Final Maturity Date	Original Amount Issued	Retired/Refunded	Outstanding September 30	
			Rate %	Date						
2001J-2	Improvements	Term	6.9	4-1 & 10-1	M	2016	10/1/2021	\$ 75,460	\$ (60,695)	\$ 14,765
2012P-1	Refunding	Serial	3.0-5.0	4-1 & 10-1	O	2022	10/1/2026	217,080	(122,235)	94,845
2012P-2	Refunding	Serial	3.25-5.0	4-1 & 10-1	O	2022	10/1/2026	92,775	(56,250)	36,525
2012Q-1	Improvements	Serial	3.0-5.0	4-1 & 10-1	O	2022	10/1/2033	283,600	(283,600)	-
2012Q-1	Improvements	Term	4.0-5.0	4-1 & 10-1	M	2034	10/1/2042	232,020	(2,670)	229,350
2012Q-2	Improvements	Term	5.0	4-1 & 10-1	M	2033	10/1/2042	53,910	(40,725)	13,185
2013A	Improvements	Term	5.125-5.25	4-1 & 10-1	M	2034	10/1/2043	83,960	(60,585)	23,375
2013B	Improvements	Term	5.00-5.25	4-1 & 10-1	M	2034	10/1/2043	28,005	(18,610)	9,395
2013C	Improvements	Term	5.125-5.25	4-1 & 10-1	M	2034	10/1/2043	107,710	(78,050)	29,660
2015A	Improvements	Serial	2.0-5.0	4-1 & 10-1	O	2025	10/1/2037	248,120	(24,515)	223,605
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	(21,570)	24,735
2017	Improvements	Serial	5.0	4-1 & 10-1	O	2027	10/1/2037	138,495	(4,580)	133,915
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	(5,770)	213,340
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	(1,845)	59,785
2019C	Refunding	Serial	1.844-3.084	4-1 & 10-1	O	2029	10/1/2034	336,520	(4,775)	331,745
2019C	Refunding	Term	3.477	4-1 & 10-1	O	2029	10/1/2043	383,415		383,415
										<u>\$ 2,374,770</u>

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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>
2022	90,655	99,865	190,520
2023	95,245	95,320	190,565
2024	99,660	90,679	190,339
2025	86,860	87,044	173,904
2026	89,670	82,811	172,481
2027-2031	422,070	357,931	780,001
2032-2036	409,945	277,325	687,270
2037-2041	501,935	183,236	685,171
2042-2046	445,070	74,616	519,686
2047-2050	133,660	10,680	144,340
	<u>\$ 2,374,770</u>	<u>\$ 1,359,507</u>	<u>\$ 3,734,277</u>

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

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

	<u>2021</u>	<u>2020</u>
Current year revenues pledged	\$ 204,848	\$ 172,912
Current year debt service	\$ 133,359	\$ 102,935
Percentage of debt service to pledged revenues	65.1%	59.5%
Total future revenues pledged*	\$ 3,734,277	\$ 3,922,673
Passenger facility charge, grant and bond proceeds offset	<u>(1,003,840)</u>	<u>(1,057,774)</u>
Net future revenues pledged	<u>\$ 2,730,437</u>	<u>\$ 2,864,899</u>

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

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

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

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

The Series 2019B (AMT) refunding bonds were issued with a par value of \$61,630,000 and a coupon interest rate of 5%. The issuance included a premium of \$13,100,000 resulting in a true interest cost of 1.956%. The Series 2020B bonds refunded, on a current basis, the outstanding Series 2009O (AMT) bonds with a par value totaling \$75,105,000. This results in a Deferred Outflow in the amount of \$1,456,000 over 10 years. This will yield an economic gain of \$16,612,000 on a present value basis.

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

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

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

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

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):

	2021	2020
Federal Grants	\$ 37,255	\$ 34,236
State of Florida Grants	7,439	25,173
	\$ 44,694	\$ 59,409

NOTE 9 - RISK MANAGEMENT

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

BCAD is exposed to various risks and losses related to alleged torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. BCAD purchases its own insurance policies as well as participates in several of the County’s programs.

Insurance Policies Exclusive to BCAD:

Property Insurance - BCAD has a property portfolio structure comprising over \$2.5 billion in insurable values. The property insurance purchased affords \$500,000,000 in coverage per occurrence with a deductible of \$250,000. Losses attributable to named windstorm (hurricane) are subject to a limit of \$125,000,000 per occurrence with a deductible of \$45,000,000. Flood losses are subject to a limit of \$25,000,000 per occurrence with a minimum deductible of \$500,000. In the event a windstorm or flood is declared a disaster, BCAD would be eligible for public assistance under the FEMA disaster program. Coverage for property losses emanating from “Terrorism” are covered up to \$350,000,000 per occurrence, subject to a deductible of \$250,000.

BCAD has a separate property insurance policy, which insures the “**elevated section**” of the new runway with a policy limit of \$322,000,000, with a deductible of \$250,000 per occurrence. This policy excludes losses resulting from named windstorm events.

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

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

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

BCAD, as a department of the County, participates in the County’s single-employer, defined benefit healthcare plan. The plan allows its employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue separate financial reports. BCAD had 471 and 461 OPEB active benefit eligible employees in the plan at September 30, 2021 and 2020, respectively. The County, excluding BSO, had 235 and 237 inactive employees who received benefit payments at September 30, 2021 and 2020, respectively, whereas the number of BCAD’s inactive employees is not available.

Funding Policy

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

Actuarial Methods and Assumptions

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

Significant methods and assumptions by year were as follows:

	2021	2020
Healthcare inflation rate	2.60%	2.60%
Projected Salary Increases*	3.25%	3.25%
Source of Mortality Assumptions	Various PUB-2010 Generational Tables projected generationally using Scale MP-2019	Various PUB-2010 Generational Tables projected generationally using Scale MP-2019
Healthcare Cost Trend Rates	7.50% initial 4.50% - ultimate	8.00% initial 4.50% - ultimate
Discount Rate	2.43%	2.41%
Projected Cash flows	Pay as you go	Pay as you go
Municipal Bond rate	20- Year Tax Exempt General Obligation	20- Year Tax Exempt General Obligation
Bond Rate Basis	Average Rating of AA/Aa or higher	Average Rating of AA/Aa or higher
Actuarial valuation date	9/30/2021	9/30/2019
Measurement date	9/30/2021	9/30/2019
Actuarial cost method	Entry age	Entry age

*includes 2.6% general inflation rate for Broward County employees

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

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

Changes to Total OPEB Liability and Related Ratio

As of September 30, 2020 the total OPEB Liability of \$2,691,000 and \$2,698,000 was determined by an actuarial valuation with the measurement date of September 30, 2021 and 2020, respectively.

Below are the details regarding BCAD's total OPEB liability for the period from October 1, 2020 to September 30, 2021 (in thousands):

Total OPEB Liability recognized at 10/1/20	\$	2,698
Changes for Fiscal Year:		
Service Cost		178
Interest		70
Difference between Actual and Expected Experience		(119)
Assumption changes		(8)
Benefit Payments		<u>(128)</u>
Net Change in total OPEB		<u>(7)</u>
Total OPEB Liability at 9/30/21	\$	<u>2,691</u>
Covered Employee Payroll	\$	27,349
Total as a percentage of Covered Employee Payroll		9.84%

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

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

Below are the details regarding BCAD's total OPEB liability for the period from October 1, 2018 to September 30, 2020 (in thousands):

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

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

The following presents the total BCAD OPEB liability as of September 30, 2021 and 2020, as well as what the total BCAD OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.43 % and 1.41%, respectively) or 1 percentage point higher (3.43 % and 3.41%, respectively) than the current discount rate (in thousands):

		Current Discount Rate		
As of September 30, 2021	1% Decrease		1% Increase	
Trend Rates	<u>1.43%</u>	<u>2.43%</u>	<u>3.43%</u>	
OPEB Liability	\$ 3,244	\$ 2,691	\$ 2,429	
As of September 30, 2020	1% Decrease	Current Discount Rate	1% Increase	
Trend Rates	<u>1.41%</u>	<u>2.41%</u>	<u>3.41%</u>	
OPEB Liability	\$ 3,443	\$ 2,698	\$ 2,575	

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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

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

For the years ended September 30, 2021 and 2020, the following presents for the total BCAD OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50% to 3.50% and 7.00% to 3.50%, respectively) and 1 percentage point higher (8.50% to 5.50% and 9.00% to 5.50%, respectively) than the current healthcare cost trend rates (in thousands):

As of September 30, 2021	1% Decrease	Current Trend Rates	1% Increase
Trend Rates	6.50% to 3.50%	7.50% to 4.50%	8.50% to 5.50%
OPEB Liability	\$ 2,307	\$ 2,691	\$ 3,446

As of September 30, 2020	1% Decrease	Current Trend Rates	1% Increase
Trend Rates	7.00% to 3.50%	8.00% to 4.50%	9.00% to 5.50%
OPEB Liability	\$ 2,475	\$ 2,698	\$ 3,615

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

For the year ended September 30, 2021 and 2020, BCAD recognized OPEB expense of \$199,000 and \$314,000, respectively. At September 30, 2021 and 2020, BCAD reported deferred outflows and deferred inflows of resources related to OPEB for the following sources, respectively (in thousands):

As of September 30, 2021	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 292	\$ (142)
Change of assumptions or other inputs	242	(28)
Total	<u>\$ 534</u>	<u>\$ (170)</u>

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

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

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

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

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 48
2023	48
2024	48
2025	48
2026	48
Thereafter	124
	<u>\$ 364</u>

NOTE 11 - RETIREMENT PLANS

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

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

A. Pension Plan

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

The general classes of membership for BCAD are as follows:

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

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

NOTE 11 – RETIREMENT PLANS (Continued)

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

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

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

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 11 – RETIREMENT PLANS (Continued)

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

Contributions - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively, were as follows: Regular – 8.28% and 9.10%; Senior Management Service – 25.27% and 27.29%; Special Risk – 22.73% and 24.17%; and DROP participants – 15.32% and 16.68%. The employer contribution rates by job class for the periods July 1, 2018 through June 30, 2020 were as follows: Regular – 6.54%; Senior Management Service – 22.34%; Special Risk – 22.78%; and DROP participants – 12.37%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment. For the fiscal years ended September 30, 2021 and 2020, contributions, included employee contributions of \$701,000 and \$715,000 respectively, to the Pension Plan for BCAD totaled \$2,551,000 and \$2,944,000 respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2021 and 2020, BCAD reported liabilities of \$2,408,000 and \$27,258,000, respectively, for its proportionate share of the County's Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 and 2020. BCAD's proportionate share of the County's net pension liability was based on its share of the County's 2020-2021 and 2018-2020 fiscal year contributions relative to the 2020-2021 and 2018-2020 fiscal year contributions of all participating members.

At June 30, 2021, the BCAD's proportionate share was 0.07655%. The proportionate share for the BCAD at June 30, 2021 as compared to June 30, 2020 was an increase of 0.00446 percentage points. At June 30, 2020, BCAD's proportionate share was 0.07209%, which was a decrease of 0.00105 percentage points from its proportionate share measured at June 30, 2019.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 11 – RETIREMENT PLANS (Continued)

For the fiscal years ended September 30, 2021 and 2020, BCAD recognized pension expense of \$420,000 and \$6,685,000, respectively. In addition, BCAD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
As of September 30, 2021		
Differences between expected and actual experience	\$ 991	
Change of assumptions	3,957	
Net difference between projected and actual earnings on Pension Plan investments	-	(20,175)
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	1,971	(26)
Pension Plan contributions subsequent to the measurement date	848	
Total	\$ 7,767	\$ (20,201)
As of September 30, 2020		
Differences between expected and actual experience	\$ 1,196	
Change of assumptions	5,656	
Net difference between projected and actual earnings on Pension Plan investments	1,860	
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	638	(98)
Pension Plan contributions subsequent to the measurement date	784	
Total	\$ 10,134	\$ (98)

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

NOTE 11 – RETIREMENT PLANS (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$848,000 for BCAD, resulting from contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows (in thousands):

<u>Years Ending September 30</u>	
2022	\$ (2,217)
2023	(2,653)
2024	(3,726)
2025	(4,944)
2026	258
Total	<u>\$ (13,282)</u>

Actuarial Assumptions - The total pension liability in the July 1, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	6.80% in 2021 and 6.80% in 2020, net of pension plan investment expense, including inflation

Mortality rates were based on the RUB-2010 base table, projected generationally with Scale MP-2018 in 2021 and 2020.

The actuarial assumptions used in the July 1, 2021 and 2020 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, 2021 valuation were unchanged from those used in the prior valuation as of July 1, 2020.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 11 - RETIREMENT PLANS (Continued)

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
	<u>100.0%</u>			
Assumed Inflation - Mean			2.4%	1.2%

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

Discount Rate - The discount rate used to measure the total pension liability was 6.80% and 6.80% in 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily share of the net pension liability calculated as of September 30, 2021 and 2020, using the discount rates of 6.80% and 6.80% respectively, as well as what the proportionate share of the net pension liability will be if it were calculated using the discount rate that is one percentage point lower (5.80% and 5.80% respectively) or one percentage point higher (7.80% and 7.80%, respectively) than the current rate (in thousands):

As of September 30, 2021	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Proportional Share of the Net Pension Liability	\$10,768	\$2,408	(\$4,581)
As of September 30, 2020	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Proportional Share of the Net Pension Liability	\$43,527	\$27,258	\$13,671

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 11 - RETIREMENT PLANS (Continued)

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2021 and 2020, BCAD reported payables in the amount of \$191,000 and \$191,000, respectively, for outstanding contributions to the Pension Plan required for the fiscal years ended September 30, 2021 and 2020.

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, 2021, 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, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021 were 1.66% and 1.66%, respectively. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriate or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

For the fiscal years ended September 30, 2021 and 2020, contributions to the HIS Plan for BCAD totaled \$564,000 and \$572,000 respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2021 and 2020, BCAD reported liabilities of \$9,903,000 and \$9,929,000, respectively, for its proportionate share of the County's HIS Plan's net pension liability. The net pension liabilities were measured as of June 30, 2021 and June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 and 2020. BCAD's proportionate share of the County's net pension liability was based on its share of the County's 2020-2021 fiscal year contributions relative to the 2020-2021 fiscal year contributions of all participating members. At June 30, 2021, BCAD's proportionate share was 0.09591%, which was a decrease of 0.00259 percentage points from its proportionate share measured at June 30, 2020. At June 30, 2020, the BCAD's proportionate share was 0.09850% which was an increase of 0.00002 percentage points from its proportionate share measured at June 30, 2019.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 11 - RETIREMENT PLANS (Continued)

For the fiscal years ended September 30, 2021 and 2020, BCAD recognized pension expense of \$984,000 and \$1,145,000 respectively. In addition, BCAD reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources (in thousands):

As of September 30, 2021	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 394	\$ (5)
Change of assumptions	924	(485)
Net difference between projected and actual earnings on Pension Plan investments	12	
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	578	(63)
Pension Plan contributions subsequent to the measurement date	148	
Total	<u>\$ 2,056</u>	<u>\$ (553)</u>

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 11 - RETIREMENT PLANS (Continued)

The deferred outflows of resources as of September 30, 2021 related to the HIS Plan, totaling \$148,000 for BCAD, resulting from contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Years Ending September 30</u>	
2022	\$ 387
2023	215
2024	268
2025	270
2023	182
Thereafter	33
Total	<u>\$ 1,355</u>

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2020 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities as of June 30, 2021. For fiscal year 2020 net pension liability was based on the June 30, 2018 valuation. The total pension liabilities as of June 30, 2021 and 2020, were determined using the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	2.16% in 2021 and 2.21% in 2020, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational PUB-2010 with Projection Scale BB-2018 tables for July 1, 2021 and the Generational RP-20000 with Projection Scale BB tables for July 1, 2018.

The actuarial assumptions that determined the total pension liability as of June 30, 2021 and 2020, 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, 2021 and 2020 was 2.16% and 2.21%, respectively, 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.

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

NOTE 11 - RETIREMENT PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents BCAD's proportionate share of the net pension liability calculated as of September 30, 2021 and 2020, using the discount rate of 2.16% and 2.21%, respectively, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.16% and 1.21% respectively) or one percentage point higher (3.16% and 3.21%, respectively) than the current rate (in thousands):

As of September 30, 2021

	<u>1% Decrease 1.16%</u>	<u>Current Discount Rate 2.16%</u>	<u>1% Increase 3.16%</u>
Proportional Share of the Net Pension Liability	\$11,449	\$9,903	\$8,637

As of September 30, 2020

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

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the HIS Plan - At September 30, 2021 and 2020, BCAD reported payables in the amount of \$44,000 and \$44,000, respectively, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2021 and 2020.

Please refer to Required Supplementary Information Section for additional details.

C. Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida State Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Effective July 1, 2012, allocations to the investment member's accounts, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular Class - 6.30%, Senior Management Service Class - 7.67%.

BROWARD COUNTY AVIATION DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021 AND 2020

NOTE 11 - RETIREMENT PLANS (Continued)

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, 2021, 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 \$623,000 and \$635,000 for the fiscal years ended September 30, 2021 and 2020, respectively.

Payables to the Investment Plan - At September 30, 2021 and 2020, BCAD reported payables in the amount of \$57,000 and \$57,000, respectively, for outstanding contributions to the Investment Plan required for the fiscal years ended September 30, 2021 and 2020.

BCAD's proportionate share of the County Plans' net pension liability, deferred outflows of resources and deferred inflows of resources as of September 30, 2021 and 2020, and pension expense/adjustment for the fiscal years ended September 30, 2021 and 2020, was allocated to BCAD based on contributions. Amounts are as follows (in thousands):

	Net Pension Liabilities		Deferred Outflows of		Deferred Inflows of		Pension Expense	
	2021	2020	2021	2020	2021	2020	2021	2020
Pension Plan	\$ (2,408)	\$ (27,258)	\$ (7,767)	\$ 10,134	\$ 20,201	\$ (98)	\$ (27,248)	\$ 4,328
HIS Plan	(9,903)	(9,929)	(2,056)	2,706	553	(716)	3,468	605
Total	\$ (12,311)	\$ (37,187)	\$ (9,823)	\$ 12,840	\$ 20,754	\$ (814)	\$ (23,781)	\$ 4,933

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 12 - TRANSACTIONS WITH OTHER COUNTY DEPARTMENTS

BCAD reimburses the General Fund of the County for an allocated portion of certain support department costs, which include such services as management, administrative, fiscal, internal audit, legal, personnel, purchasing, computer services and information systems, and communication costs. Furthermore, BCAD is charged for the cost of services provided by the Risk Management, Building Code Services, Fleet Services and Print Shop Funds. The total cost for the above services was approximately \$17,479,000 and \$17,718,000 for the years ended September 30, 2021 and 2020, respectively. BCAD also pays the Water and Wastewater Fund, an enterprise fund of the County, for water. The water charges for the years ended September 30, 2021 and 2020 totaled approximately \$2,006,000 and \$2,352,000, respectively.

BCAD contracts directly with the Broward County Sheriff's Office for security services at FLL. The cost of these services was approximately \$14,867,000 and \$11,093,000 for the years ended September 30, 2021 and 2020, respectively.

BCAD also contracts with Broward Sheriff's Office Department of Fire Rescue for fire-rescue services at FLL. The cost of these services was approximately \$1,612,000 and \$6,023,000 for the years ended September 30, 2021 and 2020, respectively.

In fiscal years 2021 and 2020, under the provisions of the CARES Act, a portion of eligible law enforcement and fire rescue expenses were transferred to the County's CARES Act Special Revenue fund. BCAD's share for the years end September 30, 2021 and 2020 was applied against the cost of security services in the amount of \$4,914,000 and \$11,196,000 respectively, and against fire-rescue services in the amount of \$9,798,000 and \$5,904,000 respectively.

The Port Everglades Fund, an enterprise fund of the County, reimburses BCAD for their allocation of maintenance costs for the landscaping on U.S. 1 at FLL. The amount invoiced for the years ended September 30, 2021 and 2020, was approximately \$27,000 and \$29,000, respectively. Similarly, the Public Works Department, through the General Fund of the County, reimburses BCAD for their allocation of maintenance costs for the landscaping on U.S. 1 at FLL. The reimbursements for the years ended September 30, 2021 and 2020, were approximately \$137,000 and \$145,000, respectively.

At September 30, 2021 and 2020, there was a receivable of \$0 and \$3,329,000 from other County funds and departments and approximately \$11,515,000 and \$4,941,000, respectively, was payable to other County funds for security and fire-rescue services and permits.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

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

A contractor working on the T3 Security Checkpoint improvement project in 2012 was behind schedule and producing defective work. As a result, the contractor was terminated for cause. The contractor filed suit and is seeking damages for the work performed and improper termination for cause by the County and its architect/consultant on the project. The County has filed a counterclaim against the contractor. Case is set for trial in April 2022.

In October 2020, a lawsuit was filed by Archer Western Construction LLC against the County seeking damages allegedly arising out of contract work, extras and delays encountered during performance of the south runway project. Archer contends it is owed approximately \$10,000,000. The claims assessed by Archer are disputed by the County. The County Attorney's office has begun to investigate the legitimacy of the claims and whether any of them were timely and properly preserved pursuant to the terms of the contract. On September 17, 2021, County filed a counterclaim against the contractor for damages associated with defective work and false claims. Discovery has just begun in the case.

There are five lawsuits pending against the County arising out of the January 6, 2017 shooting at FLL. Each suit is identical in its allegations and name Delta Airlines, Allied Barton Security Services (contracted security), Broward County and the Broward Sheriff's Office as defendants. The cases assert claims for negligence and negligent security. The County has denied liability for the claims. The County's general liability insurance carrier is providing a complete defense and has acknowledged coverage for any damages that may result from the lawsuits. Additionally, recently the Florida Supreme court issued an opinion, in an unrelated case involving mass injuries and a public agency, concluding that with regard to the public agency and application of sovereign immunity and § 768.28, Fla. Stat. Ann., the incident was a single event. Meaning, Florida law would limit the County's exposure to the claims presented to \$200,000 per person but with a \$300,000 aggregate cap for the single event. Accordingly, any recovery from any resolution would not have a material adverse effect on the Airport System or BCAD's ability to pay debt service on the Series Bonds.

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

NOTE 14 – MAJOR CUSTOMERS

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

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 14 – MAJOR CUSTOMERS (Continued)

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

<u>Passenger Enplanements</u>	<u>2021</u>		<u>2020</u>	
JetBlue Airways	2,524,385	20.3%	2,236,408	20.9%
Spirit Airlines	4,348,776	34.8%	2,843,786	26.6%
Southwest Airlines	1,541,982	12.4%	1,991,075	18.6%
Delta Air Lines	1,355,814	10.9%	990,027	9.3%
United Airlines	927,232	7.4%	650,414	6.1%
American Airlines	1,040,772	8.3%	721,922	6.8%
Air Canada	66,388	0.5%	257,644	2.4%
Allegiant Air	347,327	2.8%	292,550	2.7%
Silver Airways	79,382	0.6%	71,158	0.7%
Others	250,847	2.0%	628,628	5.9%
Total Enplanements	<u>12,482,905</u>	<u>100.0%</u>	<u>10,683,612</u>	<u>100.0%</u>

BROWARD COUNTY AVIATION DEPARTMENT
 REQUIRED SUPPLEMENTARY INFORMATION
 Unaudited

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 178	\$ 128	\$ 102	\$ 90
Interest	70	90	86	68
Difference between Actual and Expected Experience	(119)	266	(58)	60
Assumptions Changes	(8)	400	160	(26)
Benefits Payments.	<u>(128)</u>	<u>(108)</u>	<u>(101)</u>	<u>(96)</u>
Net Change in OPEB	<u>(7)</u>	<u>776</u>	<u>189</u>	<u>96</u>
Total OPEB Liability beginning	\$ 2,698	\$ 1,922	\$ 1,733	\$ 1,636
Total OPEB Liability ending	<u>\$ 2,691</u>	<u>\$ 2,698</u>	<u>\$ 1,922</u>	<u>\$ 1,733</u>
Covered Employee Payroll	\$ 27,349	\$ 28,205	\$ 24,647	\$ 24,967
Total as a percentage of Covered Employee Payroll	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)**

	2021	2020	2019	2018	2017	2016 ²	2015 ²	2014 ²
BCAD's proportion of the net pension liability (asset)	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)	\$ 2,408	\$ 27,258	\$ 20,570	\$ 17,105	\$ 15,968	\$ 13,186	\$ 7,029	\$ 3,347
BCAD's covered payroll	\$ 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	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	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)**

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

	2021	2020	2019	2018	2017	2016 ²	2015 ²	2014 ²
BCAD's proportion of the net pension liability (asset)	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)	\$ 9,903	\$ 9,929	\$ 8,645	\$ 7,799	\$ 7,504	\$ 8,041	\$ 6,914	\$ 6,365
BCAD's covered payroll	\$ 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	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	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)**

	2021	2020	2019	2018	2017	2016 ²	2015 ²	2014 ²
Contractually required contribution	\$ 564	\$ 572	\$ 555	\$ 499	\$ 427	\$ 383	\$ 279	\$ 246
Contributions in relation to the contractually required contribution	\$ (564)	\$ (572)	\$ (555)	\$ (499)	\$ (427)	\$ (383)	\$ (279)	\$ (246)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCAD's covered payroll	\$ 33,951	\$ 34,432	\$ 33,512	\$ 30,549	\$ 25,680	\$ 23,071	\$ 20,290	\$ 20,276
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.63%	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, 2021 was increased to 2.43% from 2.41%. 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, 2021 remained unchanged at 6.80%. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The rate of return assumption used in the June 30, 2021 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes, which differs from the rate used for funding purposes, which is used to establish the contribution rates of the Plan.

BROWARD COUNTY AVIATION DEPARTMENT
SUPPLEMENTARY INFORMATION

Schedule of Revenue Bond Debt Service Coverage
(in Thousands)

	2021	2020
Revenues	\$ 295,201	\$ 284,754
Interest income*	760	1,678
Current expenses	(159,833)	(171,342)
Net revenues	136,128	115,090
Transfer from General Purposes & Rate Stabilization Account	70,353	57,822
Net revenues and transfers available for debt service	\$ 206,481	\$ 172,912
 Debt service		
Series 2001J-2 Bonds	\$ 15,784	\$ 15,782
Series 2012P-1 Bonds	12,682	12,691
Series 2012P-2 Bonds	11,634	12,997
Series 2012Q-1 Bonds	21,600	21,603
Series 2012Q-2 Bonds	3,044	3,048
Series 2013A Bonds	4,630	4,634
Series 2013B Bonds	1,615	1,615
Series 2013C Bonds	5,878	5,875
Series 2015A Bonds	28,575	28,577
Series 2015B Bonds	479	479
Series 2015C Bonds	6,247	6,245
Series 2017 Bonds	19,346	18,975
Series 2019A Bonds	27,171	23,401
Series 2019B Bonds	5,454	4,499
Series 2019C Bonds	28,674	23,781
Passenger facility charge and grant offset	(55,036)	(53,825)
Total debt service	\$ 137,777	\$ 130,377
 Debt service coverage		
	150%	133%
Required debt service coverage per bond resolution		
	125%	125%

* Interest income excludes a net unrealized loss on investments of \$4,046 for fiscal year 2021 and a net unrealized gain on investments of \$3,826 for fiscal year 2020.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Broward County Aviation Department (BCAD), an enterprise fund of Broward County, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise BCAD's basic financial statements, and have issued our report thereon dated March 21, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BCAD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

RSM US LLP

Fort Lauderdale, Florida
March 21, 2022