



Broward County Aviation Department
A Major Fund of Broward County, Florida
Financial Statements
For the Year Ended September 30, 2024

BROWARD COUNTY AVIATION DEPARTMENT
FINANCIAL STATEMENTS
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FOR THE YEAR ENDED SEPTEMBER 30, 2024

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Independent Auditor's Report

Honorable Board of County Commissioners
Broward County, Florida

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Broward County Aviation Department (the BCAD), an enterprise fund of Broward County, Florida (the County), as of and for the year ended September 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the BCAD, an enterprise fund of the County, as of September 30, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the BCAD and do not purport to, and do not, present fairly the financial position of Broward County, Florida, as of September 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 27, 2025, on our consideration of the BCAD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BCAD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCAD's internal control over financial reporting and compliance.

RSM US LLP

Fort Lauderdale, Florida
March 27, 2025

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 year ended September 30, 2024. 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 2024

- BCAD's assets and deferred outflows of resources exceeded liabilities and deferred inflows at the close of fiscal year 2024 by \$1.8 billion.
- Total revenue bonds payable was \$2.24 billion at September 30, 2024, a decrease of \$112.9 million, or 4.8%, over fiscal year 2023, attributed to the repayment of bond principal.
- Operating revenues were \$340.9 million in fiscal year 2024, which represents a 11.9% increase over fiscal year 2023. Enplanements and landed weights showed increases of 3.7% and 4.7%. Other non-airline revenues increased as follows: rental cars 3.0%, parking 0.9%, concessions 23.8%, non-airline terminal rent and other rents 49.6%, North Perry 9.3%, and cargo 2.7%. However, general aviation and fixed based operators and miscellaneous operating revenues decreased by 3.1% and 25.5% respectively.
- Operating expenses were \$282.6 million in fiscal year 2024, representing a 9.0% increase over fiscal year 2023. The increase is mainly due to increases in contractual services, law enforcement and fire rescue, insurance as well as maintenance, equipment and supplies expenditures.
- Capital contributions were \$32.8 million in fiscal year 2024 and are comprised of amounts received from the Federal Aviation Administration's (FAA), and Florida Department of Transportation (FDOT).
- The net position decreased by 1.1 million, or 0.06%, in comparison to fiscal year 2023.

Activity Highlights

Passenger enplanements at FLL increased by 3.7% during fiscal year 2024 as travel continued to increase. The increase in commercial aviation operations was 6.0% while cargo operations decreased 12.6% and general aviation

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

operations increased 1.5%, thus resulting in an overall increase in aircraft operations in fiscal year 2024 of 4.3% compared with fiscal year 2023.

Below is a comparative table of activities by fiscal year:

| Activity | Fiscal Years Ended September 30 | |
|------------------------------|---------------------------------|-------------|
| | <u>2024</u> | <u>2023</u> |
| Enplanements | 17,741,898 | 17,116,674 |
| Landed weight (1,000 pounds) | | |
| Passenger airlines | 18,475,148 | 17,546,575 |
| Cargo airlines | 441,518 | 497,577 |
| General aviation | 654,438 | 652,090 |
| Total landed weight | 19,571,104 | 18,696,242 |
| Aircraft operations | 305,675 | 292,965 |

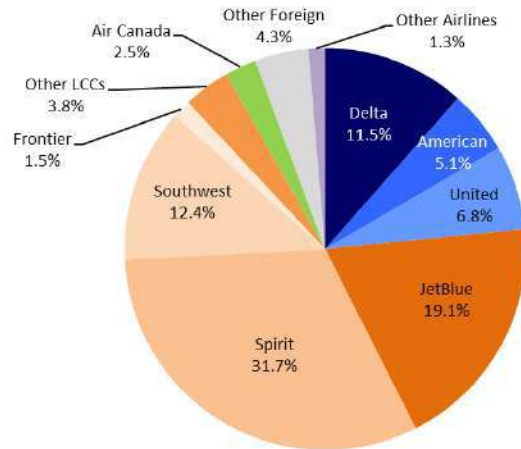
Airline Market Share and Passenger Enplanements

In fiscal year 2024, the ten Signatory Airlines represented 94.3% of enplanements, of which the top five airlines totaled 81.5%. This diversity reduces the reliance on the performance of one dominant airline.

| Passenger Enplanements | Fiscal Years Ended September 30 | | | |
|------------------------|---------------------------------|-------------|-------------------|-------------|
| | <u>2024</u> | | <u>2023</u> | |
| Spirit Airlines | 5,601,148 | 31.7% | 4,900,677 | 28.6% |
| JetBlue Airways | 3,396,379 | 19.1% | 3,447,054 | 20.1% |
| Southwest Airlines | 2,194,275 | 12.4% | 2,429,326 | 14.2% |
| Delta Air Lines | 2,043,331 | 11.5% | 1,913,782 | 11.2% |
| United Airlines | 1,204,557 | 6.8% | 1,149,833 | 6.7% |
| American Airlines | 911,018 | 5.1% | 917,531 | 5.4% |
| Allegiant Air | 487,388 | 2.7% | 460,120 | 2.7% |
| Air Canada | 447,635 | 2.5% | 448,452 | 2.6% |
| Frontier Airlines | 265,400 | 1.5% | 373,308 | 2.2% |
| Silver Airways | 153,543 | 0.9% | 143,317 | 0.8% |
| Others | 1,037,224 | 5.8% | 933,274 | 5.5% |
| Total Enplanements | 17,741,898 | 100% | 17,116,674 | 100% |

BROWARD COUNTY AVIATION DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Low Cost Carriers' (LCC) market share of enplanements (shaded in orange hues below) was 68.5% in fiscal year 2024, which represents a decrease of 5.7 percentage points compared with fiscal year 2023 and an increase from the LCC's 61.8% market share 10 years ago.



Overview of the Financial Statements

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

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

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

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

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

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Position

The Statement of Net Position presents BCAD's financial position at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The following is a comparative summary of BCAD's assets, deferred outflow of resources, liabilities, deferred inflows of resources, and net position for the fiscal years ended September 30, 2024 and 2023 (in thousands):

| Net Position | Fiscal Years Ended September 30 | |
|--------------------------------------|---------------------------------|---------------------|
| | 2024 | 2023 |
| Assets | | |
| Current and other assets | \$ 1,619,419 | \$ 1,679,848 |
| Capital assets, net | 2,986,821 | 3,016,335 |
| Total assets | 4,606,240 | 4,696,183 |
| Deferred outflow of resources | 53,094 | 55,010 |
| Liabilities | | |
| Current liabilities | 327,708 | 270,418 |
| Noncurrent liabilities | 2,207,379 | 2,300,662 |
| Total liabilities | 2,535,087 | 2,571,080 |
| Deferred inflow of resources | 314,206 | 368,937 |
| Net investment in capital assets | 1,041,135 | 827,752 |
| Restricted | 580,827 | 518,410 |
| Unrestricted | 188,079 | 465,014 |
| Total Net Position | \$ 1,810,041 | \$ 1,811,176 |

Total net position as of September 30, 2024 was \$1.8 billion, representing a decrease of \$1.1 million, or 0.06% compared to 2023.

At September 30, 2024, 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 (32.1% at September 30, 2024), 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 (10.4% at September 30, 2024) may be used to meet any of BCAD's ongoing obligations.

Capital assets, net of depreciation decreased by \$29.5 million in fiscal year 2024 and \$105.9 million in fiscal year 2023. The decrease is mainly attributable renovations in Terminal 2, 3, and 4 which were completed and moved to capital assets in late fiscal year 2022 thus increasing depreciation expense in fiscal years 2023 and 2024.

Current and other assets at September 30, 2024, totaled \$1.62 billion, representing a decrease of \$60.4 million, or 3.6 %, compared to September 30, 2023.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, **deferred outflows and inflows of resources** are reported separately from assets and liabilities. BCAD has six items that qualify for reporting as deferred outflows and inflows of resources. The first item relates to a loss on refunding from a bond refunding in fiscal year 2015, and a gain on refunding from a bond refunding during fiscal year 2017 that is reported as a deferred outflow of resources. Due to the advance refunding affecting various series, prior deferred amounts have been affected. There was an overall increase in the deferred amount during fiscal year 2020 due to this bond refunding and bond advance refunding. The fourth item relates to deferred variances according to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. These deferred variances can occur due to actuarial assumptions that differ between the actual pension plan experience and the original actuarial assumed rates. Differences can result from, among others, earnings on investments, changes in assumptions, and other experience gains or losses. A variance represents a gain or a loss, shown as deferred inflows of resources or deferred outflows of resources, respectively, in the statements of net position. These deferred outflows and inflows are amortized in accordance with the provisions of GASB Statement No. 68. Furthermore, employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources. Deferred outflows on pensions increased \$0.6 million in fiscal year 2024 compared to fiscal year 2023 and the level of deferred inflows on pensions increased by \$2.5 million during the same period. The fifth item relates to deferred variances according to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for other postemployment benefits (OPEB). Deferred outflows on OPEB are \$0.4 million and \$0.5 million in fiscal years 2024 and 2023 respectively, and deferred inflows on OPEB are \$1.9 million and \$1.3 million in fiscal years 2024 and 2023 respectively. The sixth item relates to the deferred amounts according to GASB Statement No. 87, *Leases*, where the deferred inflow should be measured as the value of lease receivable at the commencement of the lease term that relates to future periods, and is \$308.2 million in fiscal year 2024 compared to \$366.0 million in fiscal year 2023.

Current liabilities at September 30, 2024, are \$327.7 million representing an increase of \$56.1 million, or 20.7%, over the prior year. This is attributable to an increase in unearned revenue, deposits, accounts payable, and arbitrage payable partially offset by a decrease in accrued liabilities, due to other County funds, accrued interest payable, and revenue bonds payable.

Noncurrent liabilities decreased by \$93.3 million, or 4.1%, during fiscal year 2024 compared to fiscal year 2023 mainly due to the repayment of bond principal.

At September 30, 2024, there are \$145.9 million in unamortized bond premiums, net of unamortized bond discounts, primarily from the new money issues in fiscal years 2012, 2013, 2015, 2017 and 2019, and the refunding issues in fiscal years 2012, 2015 and 2019. At September 30, 2023, there were \$159.1 million in unamortized bond premiums, net of unamortized bond discounts.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues, Expenses and Changes in Net Position

Below is a comparative summary of BCAD's revenues, expenses and changes in net position for the fiscal years ended September 30, 2024 and 2023 (in thousands):

| Summary of Revenues, Expenses and Changes in Net Position | Fiscal Years Ended September 30 | |
|---|---------------------------------|---------------------|
| | <u>2024</u> | <u>2023</u> |
| Operating Revenues | \$ 340,947 | \$ 304,710 |
| Operating Expenses | 282,629 | 259,354 |
| Operating income before depreciation | 58,318 | 45,356 |
| Depreciation and amortization | 156,981 | 160,908 |
| Operating (Loss) Income | (98,663) | (115,552) |
| Nonoperating Revenues (Expenses) | 64,696 | 151,744 |
| Capital Contributions and extraordinary items¹ | 32,832 | 6,292 |
| Change in Net Position | (1,135) | 32,251 |
| Total Net Position - Beginning of Year | 1,811,176 | 1,778,925 |
| Total Net Position - End of Year | \$ 1,810,041 | \$ 1,811,176 |
| ¹ FY2023 includes asset impairment of \$10.2M due to extraordinary flood event in April 2023 | | |

In fiscal year 2024, operating revenues increased by \$36.2 million, or 11.9%. Operating expenses increased \$23.3 million, or 9.0%, compared to the same period last year. Total revenues decreased \$26.9 million or 4.9% compared to fiscal year 2023.

Overall, BCAD's net position decreased by \$1.1 million. 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

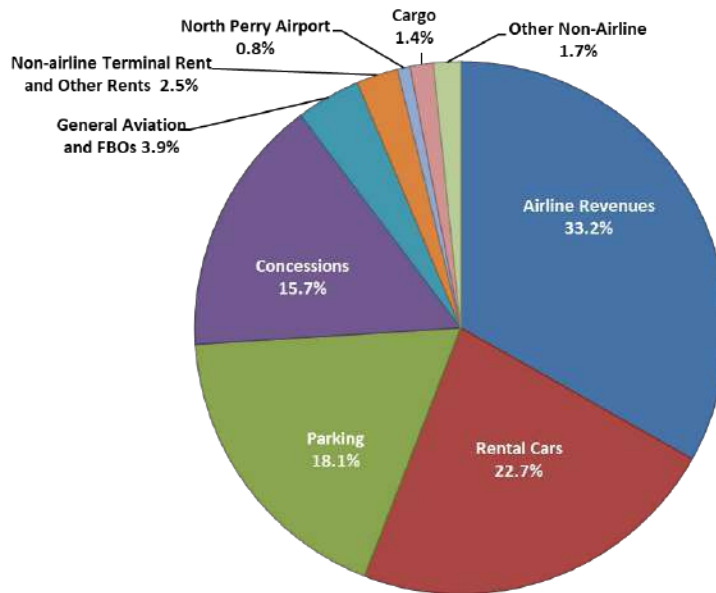
Operating Revenues

The major sources of operating revenues for the fiscal years ended September 30, 2024 and 2023 are (in thousands):

| Operating Revenues | Fiscal Years Ended September 30 | |
|--|---------------------------------|-------------------|
| | 2024 | 2023 |
| Airline revenues | \$ 112,959 | \$ 90,695 |
| Rental cars | 77,506 | 75,243 |
| Parking | 61,822 | 61,259 |
| Concessions ¹ | 53,559 | 43,269 |
| General aviation and fixed based operators | 13,403 | 13,829 |
| Non-airline terminal rent and other rents | 8,620 | 5,761 |
| North Perry Airport | 2,641 | 2,417 |
| Cargo | 4,804 | 4,679 |
| Miscellaneous operating revenues | 5,633 | 7,558 |
| Total Operating Revenues | \$ 340,947 | \$ 304,710 |

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

Fiscal year 2024 operating revenues by source as a percentage of total operating revenues are:



BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Airline revenues are calculated in accordance with the Airline Lease and Use Agreements. The contractual rate-making formula in the agreements is based on a residual cost approach, which annually projects non-airline operating revenues and deducts this amount from the projected operating expenses, including debt service and cash-funded capital costs. The residual amount remaining is the amount the Signatory Airlines pay through their annual terminal rentals and landing fees and forms the basis of the airline Cost Per Enplanement ("CPE"), a common industry measure. The airline agreements require that landing fees and terminal rentals be reviewed annually and adjusted, as necessary, so that the total revenue is sufficient to meet BCAD's requirements, as determined by the agreements. At the end of a fiscal year, after all required deposits have been made, any remaining excess funds are used to meet the requirements in the following fiscal year. This excess is recorded as a liability (unearned revenues) through a revenue accounting adjustment to current year operating revenues.

Airline revenues increased by \$22.3 million or 24.6%, in fiscal year 2024, in accordance with the residual rate-making formula in the airline agreements, representing 33.2% of overall operating revenues. In fiscal year 2024 CPE was \$6.37 compared to \$5.29 in fiscal year 2023.

| Airline Cost per Enplanement | Fiscal Years Ended September 30 | |
|--------------------------------------|---------------------------------|------------|
| (in thousands) | 2024 | 2023 |
| Airline revenues | \$ 112,959 | \$ 90,695 |
| Enplaned passengers | 17,741,898 | 17,116,674 |
| Average Cost Per Enplanement (CPE) * | \$6.37 | \$5.29 |

* Rates and charges are supported by the application of federal COVID relief grants

Non-airline revenues represented 66.8% of total operating revenues in fiscal year 2024. 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 2024 due to increased passenger activity. Non-airlines revenues represented 70.2% in 2023.

Rental car revenues, including customer facility charges ("CFCs") and rental car commissions increased marginally by \$2.3 million or 3.0% in fiscal year 2024 when compared to fiscal year 2023. Rental car revenues represented the largest source of non-airline revenues in fiscal year 2024 at 22.7% of total operating revenues. CFCs are fees charged by the on-airport rental car companies and are a per-day charge on a car rental. In addition to certain ground rental payments, BCAD receives revenues from automobile rental companies under agreements which guarantee annual minimum payments or, if greater, a percentage of gross revenues from automobile rentals at FLL.

Parking revenues increased by \$0.6 million or 0.9% in fiscal year 2024. At 18.1% of total operating revenues for fiscal year 2024, 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, but that behavior seems to have shifted post the COVID 19 pandemic. The parking facilities also compete with several off-airport private parking operators that provide free shuttle service to their customers.

Concession revenues (excluding rental car commissions) increased by \$10.3 million or 23.8% in fiscal year 2024 versus 2023. Concession revenues, which accounted for 15.7% of operating revenues in fiscal year 2024, increased mainly due to an increase in operations of food and beverage concessions as a direct result of higher passenger

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

traffic. Within the category of concessions, food and beverage amounted to \$24.0 million (44.9%) of concession revenue, up from \$18.5 million (42.6%) from fiscal year 2023. BCAD has a proactive approach to increasing non-airline revenues, which includes the renovation of concession areas and soliciting new concession vendors. The revenues paid to BCAD under these concession agreements are usually based on the greater of certain annual minimum guarantees or a percentage of gross revenues received by the concessionaires.

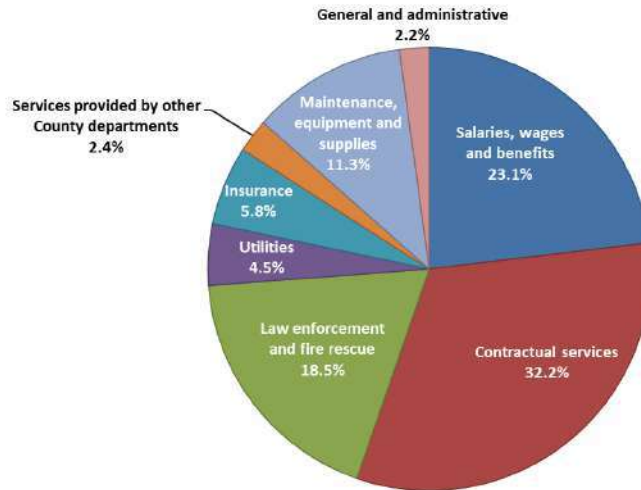
Operating Expenses

The table below shows the major categories of operating expenses for the fiscal years ended September 30, 2024 and 2023 (in thousands):

| Operating Expenses | Fiscal Years Ended September 30 | |
|---|---------------------------------|-------------------|
| | <u>2024</u> | <u>2023</u> |
| Salaries, wages and benefits | \$ 65,243 | \$ 64,973 |
| Contractual services | 91,195 | 82,862 |
| Law enforcement and fire rescue | 52,279 | 45,408 |
| Utilities | 12,635 | 13,510 |
| Insurance | 16,297 | 13,721 |
| Services provided by other County departments | 6,873 | 7,063 |
| Maintenance, equipment and supplies | 32,024 | 25,852 |
| General and administrative | 6,083 | 5,965 |
| Total Operating Expenses | \$ 282,629 | \$ 259,354 |

BROWARD COUNTY AVIATION DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

The chart below shows the distribution of operating expenses, excluding depreciation, for the fiscal year 2024:



Overall operating expenses in fiscal year 2024 increased by \$23.3 million or 9.0% compared to fiscal year 2023. The increase is attributable to various factors within all the major expense categories.

Salaries, wages and benefits increased by \$0.3 million, or 0.4%, in fiscal year 2024 from fiscal year 2023 due to salary adjustments, an increase in pension expense, and the County's deferred compensation plan match. Salaries, wages and benefits accounted for 23.1% of total operating expenses before depreciation in fiscal year 2024.

Contractual services consist mainly of parking and ground transportation management fees, shuttle service costs, security costs, janitorial and other maintenance contracts, and various professional fees. Contractual services increased by \$8.3 million, or 10.1%, in fiscal year 2024 from fiscal year 2023, as a result of increase in parking management fees and security. As well as an increase in software to support airport operations.

Law enforcement and fire rescue expenses increased \$6.9 million, or 15.1%, in fiscal year 2024 to \$52.3 million from \$45.4 million in fiscal year 2023. These expenses represented 18.5% of total operating expenses before depreciation in fiscal year 2024.

Utilities expenditure in fiscal year 2024 experienced a decrease of \$0.9 million or 6.5% compared to fiscal year 2023.

Insurance costs increased by \$2.6 million, or 18.8%, from fiscal year 2023 to fiscal year 2024, due to an increase in the insurance premiums.

Services provided by other County departments decreased in fiscal year 2024 by \$0.2 million or 2.7% compared to fiscal year 2023.

Maintenance, equipment and supplies increased by \$6.2 million, or 23.9%, from fiscal year 2024 to fiscal year 2023, mainly due to an increase in runway repairs, pipe cleaning work caused by the April 2023 flood, and new/replacement seating for the terminals.

General and administrative services increased by \$0.1 million, or 2.0%, in fiscal year 2024 due to an increase advertising and property tax payments for leased buildings.

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Depreciation expense decreased \$3.9 million or 2.4% in fiscal year 2024 compared to prior year. The decrease is due to the completion of several construction projects and transferring them to assets near the end of fiscal year 2022 which increased depreciation in fiscal years 2023 and 2024.

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 lower in fiscal year 2024 than the previous year by \$87.1 million. This is mainly attributable the American Rescue Plan Act federal grants that were drawn down in FY2023. No additional grant funds are available for FY2024.

PFCs decreased \$0.4 million, or 0.6% in fiscal year 2024 compared to fiscal year 2023 due to lower ticket sales by airlines.

Capital contributions consist of grants from the federal and state governments. Capital contributions in fiscal year 2024 were \$26.5 million higher at \$32.8 million compared to \$6.3 million in fiscal year 2023.

Capital Acquisition and Construction Activities

During fiscal year 2024 BCAD expended \$114.1 million on capital acquisitions and projects under construction, compared to \$53.8 million during fiscal year 2023. The amounts expended on capital acquisitions and major projects under construction during fiscal year 2024 are as follows (in thousands):

| Capital Acquisitions and Projects under Construction during Fiscal Year 2024 | |
|--|------------------|
| Miscellaneous Capital Acquisitions <\$1 million | \$3,963 |
| Projects Under Construction: | |
| Airfield Projects | 11,473 |
| Airport Access Roadway | 1,712 |
| Airport Master Plan | 2,400 |
| Automated People Mover (APM) | 319 |
| Facilities Improvements | 894 |
| Intermodal Center | 3,684 |
| Life Cycle Equipment Replacement Projects | 1,082 |
| Parking Facility and System Improvements | 4,578 |
| Passenger Boarding Bridges | 10,782 |
| Security Improvements | 1,145 |
| Stormwater Upgrades | 2,049 |
| System Improvements | 2,846 |
| Terminal 5 | 45,571 |
| Terminal Connectors | 12,065 |
| Terminal Improvements | 7,846 |
| Utilities Upgrades | 1,520 |
| Miscellaneous Projects <\$1 million | 155 |
| Grand Total | \$114,084 |

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

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Administration

As of September 30, 2024, and 2023, BCAD had \$2.09 billion and \$2.18 billion respectively, in outstanding long-term revenue bonds. These bonds are secured by a pledge of and lien on net revenues, as defined in the Bond Resolution. The following table summarizes the outstanding bonded indebtedness as of September 30, 2024(in thousands):

| Airport System Revenue Bonds | | | | |
|--------------------------------|----------------------------------|----------------------------------|-----------------------------|-----------------------------|
| | <u>Outstanding Principal</u> | <u>Paid From PFCs/Grants</u> | <u>Airport Revenues</u> | <u>Final Maturity *</u> |
| Bond Series | | | | |
| 2012 P-1 | \$ 37,445 | \$ - | \$ 37,445 | 2026 |
| 2012 P-2 | 5,700 | 2,403 | 3,297 | 2026 |
| 2012 Q-1 | 192,195 | 192,195 | | 2042 |
| 2012 Q-2 | 5,665 | | 5,665 | 2042 |
| 2013 A | 12,555 | | 12,555 | 2043 |
| 2013 B | 5,730 | | 5,730 | 2043 |
| 2013 C | 15,930 | 15,930 | | 2043 |
| 2015 A | 374,515 | | 374,515 | 2045 |
| 2015 B | 9,575 | | 9,575 | 2045 |
| 2015 C | 8,940 | 8,940 | | 2025 |
| 2017 | 266,990 | | 266,990 | 2047 |
| 2019A | 407,270 | | 407,270 | 2049 |
| 2019B | 52,000 | | 52,000 | 2029 |
| 2019C | 694,700 | 397,577 | 297,123 | 2043 |
| Total Bond Indebtedness | \$ 2,089,210 | \$ 617,045 | \$ 1,472,165 | |

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, \$29.4 million of grant revenues, available from the subsequent reimbursement of capital outlays, were used to pay principal and interest due for fiscal year 2024.

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 | |
|------------------------------|---------------------------------|------|
| | 2024 | 2023 |
| Airport System Revenue Bonds | 1.42 | 1.44 |

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

BROWARD COUNTY AVIATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Outlook

FLL is located in Broward County, which, together with neighboring Miami-Dade and Palm Beach counties, comprises the Miami-Fort Lauderdale-Pompano Beach Metropolitan Statistical Area (MSA) according to the U.S. Census Bureau. The MSA is the nation's seventh largest with a population of approximately 6.1 million residents in 2020.

Population growth rates over the last couple of decades have exceeded growth rates for the United States as a whole. Furthermore, the local economy continues to be strong with an unemployment rate in Broward County of 3.4% in September 2024, compared to 3.0% for the same period in September 2023, and the state rate of 3.5% and the national rate of 4.0%. However, as South Florida is a major tourist destination, the majority of FLL passengers are visitors to Broward County and South Florida. BCAD partners with the Convention and Visitors Bureau (CVB), Office of Economic Development (OED) and Port Everglades on marketing and promotional activities.

FLL ranked as the 18th busiest U.S. airport for passenger traffic overall and was 20th for domestic travel volume and 12th the international traffic in 2023, according to trade group Airports Council International - North America, a notable authority in the aviation industry. In 2024, the airport had 17.7 million passengers, up from 17.1 million in 2023.

To support current and future growth, BCAD has launched Phase 1A of the Master Plan. As of FY 2024, significant rehabilitation and renovation efforts are underway across the terminal, landside, and airfield areas to accommodate expansion and enhance the passenger experience.

In FY 2024, the rehabilitation of Taxiway A began, focusing on improving airfield safety through enhanced drainage, paving rehabilitation, and upgraded lighting. Additionally, the Terminal Connectors project, which also commenced in FY 2024, aims to improve connectivity between Terminals 1 to 2 and 2 to 3. Once completed, passengers can move between terminals post-security without exiting the terminal.

Furthermore, the ongoing construction of Terminal 5 will add five new gates, increasing FLL's total gate capacity from 66 to 71. These projects demonstrate BCAD's commitment to managing growth while enhancing passenger experience and maintaining a robust infrastructure.

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

Request for Information

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

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024
(in thousands)

ASSETS

Current Assets

Unrestricted Assets

| | |
|---|----------------|
| Cash and cash equivalents | \$ 27,875 |
| Investments | 286,609 |
| Receivables | |
| Accounts receivable, net of allowance of \$4,655 | 23,002 |
| Interest receivable | 3,511 |
| Leases receivable | 55,791 |
| Due from other governments | 17,587 |
| Inventories | 1,784 |
| Prepaid items | 11,648 |
| Total current unrestricted assets | <u>427,807</u> |

Restricted Assets

| | |
|---------------------------------------|----------------|
| Cash and cash equivalents | 159,605 |
| Passenger facility charges receivable | 9,904 |
| Interest receivable | 2,954 |
| Total current restricted assets | <u>172,463</u> |
| Total current assets | <u>600,270</u> |

Noncurrent Assets

Unrestricted Assets

| | |
|--------------------------------------|----------------|
| Leases receivable | 258,711 |
| Total noncurrent unrestricted assets | <u>258,711</u> |

Restricted Assets

| | |
|--|------------------|
| Cash and cash equivalents | 216,668 |
| Investments | 543,770 |
| Capital assets | |
| Non-depreciable | 665,299 |
| Depreciable, net of accumulated depreciation and amortization of \$1,801,845 | 2,321,522 |
| Total capital assets, net | <u>2,986,821</u> |
| Total noncurrent assets | <u>4,005,970</u> |

TOTAL ASSETS

\$ 4,606,240

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|-----------|
| Deferred charge on refunding | \$ 42,568 |
| Deferred outflows on Other Post Employment Benefits | 400 |
| Deferred outflows on pensions | 10,126 |

TOTAL DEFERRED OUTFLOWS OF RESOURCES

\$ 53,094

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024
(in thousands)

LIABILITIES

Current Liabilities

| | |
|--|----------------|
| Payable from Unrestricted Assets | |
| Accounts payable | \$ 28,006 |
| Accrued liabilities | 5,806 |
| Lease liability | 522 |
| Subscription liability | 2,782 |
| Due to other County funds | 4,619 |
| Due to other governments | 668 |
| Deposits | 10,252 |
| Unearned revenue | 108,363 |
| Compensated absences | 4,131 |
| Total current liabilities payable from unrestricted assets | <u>165,149</u> |
| Payable from Restricted Assets | |
| Accounts payable | 26,245 |
| Accrued interest payable | 43,088 |
| Arbitrage payable | 6,366 |
| Revenue bonds payable | 86,860 |
| Total current liabilities payable from restricted assets | <u>162,559</u> |
| Total current liabilities | <u>327,708</u> |

Noncurrent Liabilities

| | |
|---|------------------|
| Revenue bonds payable, including discounts and premiums, net of current portion | 2,148,211 |
| Arbitrage payable | 707 |
| Lease liability | 13,558 |
| Subscription liability | 1,191 |
| Compensated absences | 3,487 |
| Total other post employment benefits liability | 926 |
| Net pension liability | 39,299 |
| Total noncurrent liabilities | <u>2,207,379</u> |

| | |
|--------------------------|---------------------|
| TOTAL LIABILITIES | \$ 2,535,087 |
|--------------------------|---------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|--|------------|
| Deferred inflows on leases | \$ 308,206 |
| Deferred inflows on Other Post Employment Benefits | 1,902 |
| Deferred inflows on pensions | 4,098 |

| | |
|--|-------------------|
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ 314,206 |
|--|-------------------|

NET POSITION

| | |
|----------------------------------|--------------|
| Net investment in capital assets | \$ 1,041,135 |
| Restricted for | |
| Debt service | 121,252 |
| Capital projects | 459,575 |
| Unrestricted | 188,079 |

| | |
|---------------------------|---------------------|
| TOTAL NET POSITION | \$ 1,810,041 |
|---------------------------|---------------------|

See notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(in thousands)

| | | |
|---|----|-------------------------|
| Operating Revenues | | |
| Airline revenues | \$ | 112,959 |
| Rental cars | | 77,506 |
| Parking | | 61,822 |
| Concessions | | 53,559 |
| General aviation and fixed based operators | | 13,403 |
| Non-airline terminal rent and other rents | | 8,620 |
| North Perry Airport | | 2,641 |
| Cargo | | 4,804 |
| Miscellaneous | | 5,633 |
| Total operating revenues | | <u>340,947</u> |
| Operating Expenses | | |
| Salaries, wages and benefits | | 65,243 |
| Contractual services | | 91,195 |
| Law enforcement and fire rescue | | 52,279 |
| Utilities | | 12,635 |
| Insurance | | 16,297 |
| Services provided by other County departments | | 6,873 |
| Maintenance, equipment and supplies | | 32,024 |
| General and administrative | | 6,083 |
| Total operating expenses before depreciation | | <u>282,629</u> |
| Operating Income before Depreciation | | 58,318 |
| Depreciation and amortization | | <u>156,981</u> |
| Operating (Loss) | | <u>(98,663)</u> |
| Nonoperating Revenues (Expenses) | | |
| Interest and investment income | | 43,664 |
| Net increase in the fair value of investments | | 29,221 |
| Net interest and investment income | | <u>72,885</u> |
| Passenger facility charges | | 70,946 |
| Federal grants and financial assistance | | 160 |
| Interest revenue leases | | 4,619 |
| Interest expense | | (80,407) |
| Interest expense leases | | (798) |
| Gain on disposal of capital assets | | 53 |
| Other | | (2,762) |
| Total nonoperating revenues (expenses) | | <u>64,696</u> |
| Loss before Capital Contributions | | <u>(33,967)</u> |
| Capital contributions | | <u>32,832</u> |
| Change in Net Position | | (1,135) |
| Total Net Position - Beginning of Period | | <u>1,811,176</u> |
| Total Net Position - End of Period | \$ | <u><u>1,810,041</u></u> |

See notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(in thousands)

Cash Flows from Operating Activities

| | |
|---|----------------|
| Cash received from customers | \$ 398,190 |
| Cash payments to suppliers for goods and services | (225,311) |
| Cash payments to employees for services | (63,203) |
| Other cash paid | (2,762) |
| Net cash provided by operating activities | <u>106,914</u> |

Cash Flows from Noncapital Financing Activities

| | |
|---|------------|
| Nonoperating grants and financial assistance received | 160 |
| Net cash provided by noncapital financing activities | <u>160</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|---|------------------|
| Lease interest received | 4,619 |
| Lease interest charges | (798) |
| Acquisition and construction of property, plant and equipment | (100,262) |
| Proceeds from sale of capital assets | 53 |
| Lease and Subscription Payments | (3,027) |
| Debt principal payment | (99,660) |
| Interest and fiscal charges | (90,676) |
| Capital contributions | 20,091 |
| Passenger facility charges received | 69,650 |
| Net cash used for capital and related financing activities | <u>(200,010)</u> |

Cash Flows from Investing Activities

| | |
|--|----------------|
| Purchase of investment securities | (743,956) |
| Proceeds from sale and maturities of investment securities | 801,917 |
| Interest and dividends on investments | 71,176 |
| Net cash provided by investing activities | <u>129,137</u> |

Net Increase in Cash and Cash Equivalents 36,201

Cash and Cash Equivalents, Beginning of Period 367,947

Cash and Cash Equivalents, End of Period \$ 404,148

Cash and Cash Equivalents - Unrestricted Assets \$ 27,875

Cash and Cash Equivalents - Restricted Assets

Current cash and cash equivalents 159,605

Noncurrent cash and cash equivalents 216,668

\$ 404,148

BROWARD COUNTY AVIATION DEPARTMENT
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(in thousands)

**Reconciliation of operating loss to net cash
provided by operating activities**

| | |
|--|-------------|
| Operating loss | \$ (98,663) |
| Adjustments to reconcile operating loss to cash flows provided by operating activities | |
| Depreciation and amortization expense | 156,981 |
| Other nonoperating expenses | (2,762) |
| (Increase) Decrease in assets and deferred outflows of resources | |
| Accounts receivable | (1,510) |
| Leases receivable | 56,473 |
| Inventories | (128) |
| Prepaid items | (419) |
| Deferred outflows on other post employment benefits | 72 |
| Deferred outflows on pensions | (570) |
| Increase (Decrease) in liabilities and deferred inflows of resources | |
| Accounts payable | (2,547) |
| Accrued liabilities | (2,941) |
| Due to other County funds | (5,342) |
| Due to other governments | (49) |
| Deposits | 2,792 |
| Unearned revenues | 61,302 |
| Compensated absences | 1,247 |
| Total other post employment benefits liability | (724) |
| Net pension liability | (1,567) |
| Deferred inflows on leases | (57,803) |
| Deferred inflows on other post employment benefits | 618 |
| Deferred inflows on pensions | 2,454 |
| Net adjustments | 205,577 |
| Net cash provided by operating activities | \$ 106,914 |

Noncash Investing, Capital and Financing Activities

| | |
|--|-------------|
| Amortization of bond discount and premiums | \$ (13,272) |
| Amortization of deferred charge on refunding | 2,413 |
| Right to use leased assets | 14,005 |
| Amortization of right to use leased assets | (3,678) |
| Capital contributions | 32,832 |
| Capital assets acquired through current accounts payable | 36,687 |
| Change in fair value of investments | 29,221 |

See notes to financial statements

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

| | |
|--|----|
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BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

C. Implementation of Governmental Accounting Standards Board Statements

The County adopted Governmental Accounting Standards Board (GASB) Statements number 99 and 100 during the fiscal year ended September 30, 2024, which did not impact BCAD's financial position or results from operation.

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

Statement No. 99 requirements are effective for different reporting periods. The County adopted the requirements related financial guarantees and the classification and reporting of derivative instruments with the scope of GASB Statement No. 53. GASB Statement No. 99 did not impact BCAD's financial position or results in operations for fiscal year ending September 30, 2024.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. *GASB Statement No. 100, Accounting Changes and Error Corrections*

Statement No. 100 improves the clarity of accounting and financial reporting requirements for accounting changes and error corrections which will result in greater consistency in the application in practice. The adoption of GASB Statement No. 100 did not impact BCAD's financial position or results in operations for the financial year ending September 30, 2024.

D. Deposits and Investments

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

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

E. Accounts Receivable

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

F. Leases

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

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

Paragraph 42 of GASB Statement No. 87 recognizes that certain leases of a government entity are subject to external laws, regulations, or legal rulings. In this case, lessors should not apply the provision in paragraph 44-59 of the Statement for leases that meet the regulated exception criteria outlined in paragraph 43 of GASB 87. BCAD meets

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the exception criteria as outlined in paragraphs 42, and 43 (a), (b), and (c) for leases that are designated as regulated leases. See Note 5 for additional information on leases.

G. Due from Other Governments

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

H. Inventories and Prepaid Items

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

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

I. Capital Assets

Capital assets, which include property, plant and equipment, are recorded at cost or, if donated, at acquisition value at the date of donation. The capitalization levels are \$5,000 for equipment and \$50,000 for land and improvements and buildings and facilities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated on the straight-line basis over the following estimated useful lives:

| | |
|--|------------|
| Buildings and Facilities (including property held for leasing) | 3-40 years |
| Equipment | 3-15 years |
| Intangible Right-to-Use Assets | 1-30 years |

J. Subscription -Based Information Technology Arrangements (SBITA)

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

K. Deferred Outflows/Inflows of Resources

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

L. Due to or from Other County Funds

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

M. Unearned Revenue - Airline Fees and Charges

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

N. Long-term Obligations

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

O. Compensated Absences

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

P. Total OPEB Liability

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

Q. Pensions

In the Statement 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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

R. Net Position and Net Position Flow Assumption

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

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

S. Capital Contributions

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

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 enhanced 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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Through initial and subsequent FAA approvals, BCAD is currently authorized to collect PFCs up to \$2.1 billion, of which \$1.3 billion has been collected as of September 30, 2024. 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, 2024, \$957 million of the collected PFCs had been spent on approved projects or debt service, and the remaining \$309 million along with a PFC receivable of \$9.9 million and no interest receivable is reflected in the net position restricted for capital projects.

U. Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2024, BCAD's deposits and investments consisted of the following (in thousands):

| | |
|---------------------------------|----------------------------|
| Cash Deposits | <u>\$ 60,269</u> |
| Investments: | |
| U.S. Treasuries | 384,871 |
| U.S. Agencies | 421,039 |
| World Bank | 20,821 |
| Money Market Mutual Funds | 343,880 |
| State of Israel Bond | <u>3,647</u> |
| Total Investments | <u>1,174,258</u> |
| Total Deposits, and Investments | <u><u>\$ 1,234,527</u></u> |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2024 cash and cash equivalents and investments are classified in the Statements of Net Position as follows (in thousands):

| | September 30, 2024 |
|--|-----------------------|
| Current Assets | |
| Cash and cash equivalents, unrestricted | \$ 27,875 |
| Cash and cash equivalents, restricted | 159,605 |
| Investments, unrestricted | 286,609 |
| Noncurrent Assets | |
| Cash and cash equivalents, restricted | 216,668 |
| Investments, restricted | 543,770 |
| Total Cash, Cash Equivalents and Investments | <u>\$ 1,234,527</u> |

A. Deposits

Custodial Credit Risk- The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County mitigates custodial credit risk by generally requiring public funds to be deposited in a qualified public depository pursuant to State Statutes. Under the State Statutes, all qualified public depositories are required to pledge eligible collateral having a fair value equal to or greater than the average daily or monthly balance of all public deposits' times the depositories' collateral pledging level. The pledging level may range from 25% to 150% depending upon the depositories' financial condition ranking from two nationally recognized financial rating services, as well as consideration of financial ratios, trends and other pertinent information. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

B. Investments

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

Under State Statutes and County Ordinances, the County is authorized to invest in obligations of the U.S. Government, its agencies and instrumentalities, the Florida Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, repurchase agreements with primary dealers, commercial paper, bonds, notes or obligations of the State of Florida or any municipality, political subdivision or agency or authority of the State, certificates of deposit, securities in certain open-end or closed-end investment companies or trusts, World Bank notes, bonds and discount notes, obligations of the Tennessee Valley Authority,

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

certain money market funds and rated or unrated bonds, notes or instruments backed by the full faith and credit of the government of Israel. The County may also invest in collateralized mortgage obligations, reverse repurchase agreements and asset-backed commercial paper with the approval of the County's Chief Financial Officer. County policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreements.

Interest Rate Risk - In accordance with its investment policy, the County manages its exposure to interest rate volatility by limiting the weighted average maturity of its investment portfolio within the following maturity categories: overnight 35%; 1-30 days 80%; 31-90 days 80%; 91 days to 1 year 70%; 1-2 years 40%; 2-3 years 25%; 3-4 years 20%; 4-5 years 15%; and 5-7 years 10%. Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2024, the portfolio weighted average maturity was 533 days and was in accordance with the County's investment policy.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weight Average Maturity (Days)</u> |
|-------------------------------------|---------------------|---|
| U.S. Treasuries | \$ 384,871 | 571 |
| U.S. Agencies | 421,039 | 593 |
| State of Israel Bond | 20,821 | 463 |
| World Bank | 343,880 | 1053 |
| Money Market Mutual Funds | 3,647 | 36 |
| Total Investments | <u>\$ 1,174,258</u> | |
| Portfolio Weighted Average Maturity | | <u>533</u> |

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

The County's investments in the U.S. Treasury, U.S. Agencies, World Bank notes, Bonds, Discount notes, and Money Market Mutual Funds are rated in one of the two highest classifications by any one of the nationally recognized rating services. At September 30, 2024, all County's investments were held in the County's name.

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The investments under this disclosure are detailed below:

| Portfolio | <u>September 30</u> 2024 |
|---|-----------------------------|
| Federal Agricultural Mortgage Corporation | 18.90% |
| Federal Home Loan Bank | 11.84% |
| Federal Farm Credit Bank | 7.14% |
| U.S. Treasury | 55.33% |

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

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

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

As of September 30, 2024

| | <u>Total</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> |
|---|----------------------------|---|--|
| Investments by Fair Value Level | | | |
| Debt Securities: | | | |
| U.S. Treasuries | \$ 384,871 | \$ - | \$ 384,871 |
| U.S. Agencies | 421,039 | | 421,039 |
| World Bank | 20,821 | | 20,821 |
| State of Israel Bond | 3,647 | | 3,647 |
| Total Debt Securities | <u>830,378</u> | <u>-</u> | <u>830,378</u> |
| Investments at Net Asset Value (NAV) | | | |
| Money Market Mutual Funds | <u>\$ 343,880</u> | | |
| Total Investments at Fair Value | <u><u>\$ 1,174,258</u></u> | | |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

U.S. Treasury, U.S. Agencies, Commercial Paper, World Bank and Sovereign Bonds debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices (Level 2 inputs). The Money Market Mutual Funds are open-ended Securities and Exchange Commission registered investments funds with a daily net asset value (NAV). These mutual funds are designed to be liquid and allow investors to see their interest daily in the fund at the published NAV, with no restrictions on redemptions and no unfunded commitments.

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

NOTE 3 - RESTRICTED ASSETS

Restricted assets of BCAD at September 30, 2024, represent amounts restricted for debt service and for construction and improvements of the FLL and HWO airport and aviation facilities under the terms of outstanding bond agreements. The bond reserve accounts represent 125% of the average annual principal and interest requirements for all series of bonds secured by the reserve account. The debt service accounts contain the principal and interest amounts required for payment due on October 1 in addition to funds restricted for future debt service payments. The PFC account contains amounts collected and receivables, but unspent. The bond construction accounts include bond proceeds available for the design and construction of major capital projects. Grant proceeds are amounts received from the sale of assets that were originally acquired through a grant.

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

| | September 30, 2024 |
|------------------------------------|-----------------------|
| Bond reserve accounts | \$ 176,975 |
| Debt service accounts | 170,679 |
| Passenger facility charges account | 438,458 |
| Bond construction accounts | 125,660 |
| Grant proceeds | 21,129 |
| | <u>\$ 932,901</u> |

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

| | September 30, 2024 |
|---------------------------------------|-----------------------|
| Current Restricted Assets | |
| Cash and cash equivalents | \$ 159,605 |
| Passenger facility charges receivable | 9,904 |
| Other accounts receivable | 2,954 |
| Noncurrent Restricted Assets | |
| Cash and cash equivalents | 216,668 |
| Investments | 543,770 |
| | <u>\$ 932,901</u> |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2024, are as follows (in thousands):

| | Balance October 1, 2023 | Increases | Decreases | Balance September 30, 2024 |
|---|-------------------------------|--------------------|---------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 158,083 | \$ 109,302 | \$ - | \$ 267,385 |
| Land and land improvements | 397,914 | - | - | 397,914 |
| Total capital assets not being depreciated | <u>555,997</u> | <u>109,302</u> | <u>-</u> | <u>665,299</u> |
| Capital assets being depreciated and amortized: | | | | |
| Buildings, facilities and other improvements | 3,998,945 | 231 | - | 3,999,176 |
| Equipment | 97,521 | 3,989 | 999 | 100,511 |
| Equipment - leased | 874 | 14,098 | - | 14,972 |
| Intangible right-to-use asset | 8,801 | 119 | 212 | 8,708 |
| Total capital assets being depreciated and amortized | <u>4,106,141</u> | <u>18,437</u> | <u>1,211</u> | <u>4,123,367</u> |
| Less accumulated depreciation and amortization: | | | | |
| Buildings, facilities and other improvements | 1,577,183 | 147,161 | - | 1,724,344 |
| Equipment | 66,087 | 5,930 | 727 | 71,290 |
| Equipment - leased | 389 | 1,010 | - | 1,399 |
| Intangible right-to-use asset | 2,144 | 2,880 | 212 | 4,812 |
| Total accumulated depreciation and amortization | <u>1,645,803</u> | <u>156,981</u> | <u>939</u> | <u>1,801,845</u> |
| Total capital assets being depreciated and amortized, net | <u>2,460,338</u> | <u>(138,544)</u> | <u>272</u> | <u>2,321,522</u> |
| Total capital assets, net | <u>\$ 3,016,335</u> | <u>\$ (29,242)</u> | <u>\$ 272</u> | <u>\$ 2,986,821</u> |

NOTE 5 – LEASES

GASB 87 differentiates accounting treatment of leases that are classified as regulated and non-regulated.

A. Regulated Leases

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

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

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

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

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5 – LEASES (Continued)

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

For the fiscal year ended September 30, 2024, the regulated lease revenue was as follows (in thousands):

| Fixed | Variable | Total |
|-----------|------------|------------|
| \$ 16,243 | \$ 122,333 | \$ 138,576 |

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

| Fiscal Year | Total |
|-------------|--------------------------|
| 2025 | \$ 10,073 |
| 2026 | 9,549 |
| 2027 | 8,140 |
| 2028 | 7,066 |
| 2029 | 6,953 |
| 2030-2034 | 29,508 |
| 2035-2039 | 24,511 |
| 2040-2044 | 12,364 |
| 2045-2049 | 7,109 |
| 2050-2054 | 1,865 |
| Total | <u><u>\$ 117,138</u></u> |

B. Non-regulated Leases

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

For the fiscal year ended September 30, 2024, the Airports non-regulated lease terms range from 1 year to 20 years. The non-regulated leased property provided lease principal payments received of \$84.8 million, interest revenue of \$4.6 million, and variable revenue of \$47.5 million. The total lease receivable was \$314.5 million, of which \$55.8 million was current and \$258.7 million was noncurrent. The total deferred inflow of leases was \$308.2 million.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5 – LEASES (Continued)

For the fiscal year ended September 30, 2024, the non-regulated lease revenue was as follows (in thousands):

| <u>Fixed</u> | <u>Variable</u> | <u>Total</u> |
|--------------|-----------------|--------------|
| \$ 84,757 | \$ 47,472 | \$ 132,229 |

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

| <u>Fiscal Year(s)</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------|------------------|-----------------|------------------|
| 2025 | \$ 55,791 | \$ 3,874 | \$ 59,665 |
| 2026 | 55,827 | 3,124 | 58,951 |
| 2027 | 54,748 | 2,369 | 57,117 |
| 2028 | 49,409 | 1,645 | 51,054 |
| 2029 | 44,237 | 1,000 | 45,237 |
| 2030-2034 | 54,490 | 1,096 | 55,586 |
| Total | <u>\$314,502</u> | <u>\$13,108</u> | <u>\$327,610</u> |

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

For the fiscal year ended September 30, 2024, payments for non-regulated leased property totaled \$1.2 million and attributed interest expense was \$0.7 million.

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

| <u>Fiscal Years</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|------------------|-----------------|------------------|
| 2025 | \$ 522 | \$ 635 | \$ 1,157 |
| 2026 | 402 | 620 | 1022 |
| 2027 | 346 | 605 | 951 |
| 2028 | 392 | 587 | 979 |
| 2029 | 441 | 568 | 1009 |
| 2030-2034 | 3056 | 2456 | 5512 |
| 2035-2039 | 4847 | 1538 | 6385 |
| 2040-2044 | 4074 | 285 | 4359 |
| Total | <u>\$ 14,080</u> | <u>\$ 7,294</u> | <u>\$ 21,374</u> |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6 - AIRLINE-LEASE AND USE AGREEMENT

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

The agreements require that landing fees and terminal rentals be reviewed annually and adjusted, as necessary, so that the total revenue is sufficient to meet BCAD's requirements, as determined by the signatory airline agreements. At the end of the fiscal year, after all required deposits have been made, any remaining excess funds are used to meet the requirements in the following fiscal year. Excess funds, if available, are recorded as unearned revenue by BCAD and have been included in current liabilities payable from unrestricted assets. For the year ended September 30, 2024 these funds amounted to \$103.2 million.

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended September 30, 2024 is as follows (in thousands):

| | Balance October 1, 2023 | Additions | Deductions | Balance September 30, 2024 | Amount Due Within One Year | Amount Due After One Year |
|--|-------------------------------|------------------|-------------------|----------------------------------|----------------------------------|---------------------------------|
| Revenue Bonds payable | \$ 2,188,870 | \$ - | \$ 99,660 | \$ 2,089,210 | \$ 86,860 | \$ 2,002,350 |
| Unamortized bond premiums and discount | 159,133 | - | 13,272 | 145,861 | - | 145,861 |
| Arbitrage payable | 3,041 | 4,032 | - | 7,073 | 6,366 | 707 |
| Lease liability | 489 | 14,982 | 1,391 | 14,080 | 522 | 13,558 |
| Subscription liability | 6,806 | - | 2,833 | 3,973 | 2,782 | 1,191 |
| Compensated absences | 6,371 | 6,349 | 5,102 | 7,618 | 4,131 | 3,487 |
| Total other post employment benefits liability | 1,650 | - | 724 | 926 | - | 926 |
| Net pension liability | 40,866 | | 1,567 | 39,299 | - | 39,299 |
| Total | <u>\$ 2,407,226</u> | <u>\$ 25,363</u> | <u>\$ 124,549</u> | <u>\$ 2,308,040</u> | <u>\$ 100,661</u> | <u>\$ 2,207,379</u> |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024 (in thousands) *:

| Airport System Revenue Bonds | Primary Purpose | Type | Interest Payment | | Optional (O) or Mandatory (M) | | Final Maturity Date | Original Amount Issued | Retired/ Refunded | Outstanding September 30 |
|---------------------------------------|--------------------|--------|------------------|------------|-------------------------------------|------|---------------------------|---------------------------|----------------------|-----------------------------|
| | | | Rate % | Date | Year | | | | | |
| 2012P-1 | Refunding | Serial | 3.0-5.0 | 4-1 & 10-1 | O | 2022 | 10/1/2026 | 217,080 | (179,635) | \$ 37,445 |
| 2012P-2 | Refunding | Serial | 3.25-5.0 | 4-1 & 10-1 | O | 2022 | 10/1/2026 | 92,775 | (87,075) | 5,700 |
| 2012Q-1 | Improvements | Term | 4.0-5.0 | 4-1 & 10-1 | M | 2034 | 10/1/2042 | 232,020 | (39,825) | 192,195 |
| 2012Q-2 | Improvements | Term | 5.0 | 4-1 & 10-1 | M | 2033 | 10/1/2042 | 53,910 | (48,245) | 5,665 |
| 2013A | Improvements | Term | 5.125-5.25 | 4-1 & 10-1 | M | 2034 | 10/1/2043 | 83,960 | (71,405) | 12,555 |
| 2013B | Improvements | Term | 5.00-5.25 | 4-1 & 10-1 | M | 2034 | 10/1/2043 | 28,005 | (22,275) | 5,730 |
| 2013C | Improvements | Term | 5.125-5.25 | 4-1 & 10-1 | M | 2034 | 10/1/2043 | 107,710 | (91,780) | 15,930 |
| 2015A | Improvements | Serial | 2.0-5.0 | 4-1 & 10-1 | O | 2025 | 10/1/2037 | 248,120 | (51,800) | 196,320 |
| 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 | (37,365) | 8,940 |
| 2017 | Improvements | Serial | 5.0 | 4-1 & 10-1 | O | 2027 | 10/1/2037 | 138,495 | (20,915) | 117,580 |
| 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 | (27,790) | 191,320 |
| 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 | (9,630) | 52,000 |
| 2019C | Refunding | Serial | 1.844-3.084 | 4-1 & 10-1 | O | 2029 | 10/1/2034 | 336,520 | (25,235) | 311,285 |
| 2019C | Refunding | Term | 3.477 | 4-1 & 10-1 | O | 2029 | 10/1/2043 | 383,415 | | 383,415 |
| | | | | | | | | | | <u>\$2,089,210</u> |

*The optional and mandatory redemptions are at par

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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> |
|--------------------|---------------------|---------------------|---------------------|
| 2025 | \$ 86,860 | \$ 86,211 | \$ 173,071 |
| 2026 | 89,670 | 81,978 | 171,648 |
| 2027 | 104,280 | 78,030 | 182,310 |
| 2028 | 77,335 | 74,765 | 152,100 |
| 2029 | 82,355 | 71,710 | 154,065 |
| 2030-2034 | 394,110 | 309,960 | 704,070 |
| 2035-2039 | 462,640 | 223,479 | 686,119 |
| 2040-2044 | 528,785 | 116,644 | 645,429 |
| 2045-2049 | 237,150 | 28,626 | 265,776 |
| 2050 | 26,025 | 574 | 26,599 |
| | <u>\$ 2,089,210</u> | <u>\$ 1,071,977</u> | <u>\$ 3,161,187</u> |

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

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

| | <u>2024</u> |
|---|---------------------|
| Current year revenues pledged | \$ 340,947 |
| Current year debt service | 139,244 |
| Percentage of debt service to pledged revenues | 40.8% |
| Total future revenues pledged* | \$ 3,161,187 |
| Passenger facility charge, grant and bond proceeds offset | <u>(840,866)</u> |
| Net future revenues pledged | <u>\$ 2,320,321</u> |

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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):

| | <u>2024</u> |
|-------------------------|------------------|
| Federal Grants | \$ 6,713 |
| State of Florida Grants | <u>26,119</u> |
| | <u>\$ 32,832</u> |

NOTE 9 - RISK MANAGEMENT

As a Florida governmental agency, BCAD is afforded protection by sovereign immunity as set forth in Florida Statute 768.28. The Statute sets forth a tort cap of \$0.2 million any one person and \$0.3 million for all claims arising out of the same incident or occurrence.

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

Insurance Policies Exclusive to BCAD:

BCAD maintains a specialized scheduled fleet policy for fire trucks that service the FLL facility. The limit of coverage is \$1.3 million per loss, subject to a deductible of \$0.3 million for each occurrence.

Property Insurance - BCAD has a property portfolio comprised of over \$4.0 billion in insurable values. The property insurance purchased affords \$500.0 million in coverage per occurrence with a deductible of \$0.3 million.

Losses attributable to named windstorm (hurricane) are subject to a limit of \$125.0 million per occurrence excess of a deductible of \$75.0 million. BCAD procured a parametric insurance product to help offset potential named windstorm losses from a major hurricane incident. This program affords maximum coverage as follows: Cat 3 Hurricane - \$5.0 million payout; Cat 4 Hurricane - \$18.8 million payout; Cat 5 Hurricane - \$25.0 million payout. Flood losses are subject to a limit of \$25.0 million per occurrence with a minimum deductible of \$0.5 million. In the event a windstorm or flood is declared a disaster, BCAD would be eligible for public assistance under the Federal Emergency Management Agency (FEMA) disaster program. Coverage for property losses emanating from "Terrorism" are covered up to \$350.0 million per occurrence, subject to a deductible of \$0.3 million.

BCAD has a separate property insurance policy, which insures the "elevated section" of the new runway with a policy limit of \$347.8 million, with a deductible of \$0.3 million per occurrence. This policy excludes losses resulting from named windstorm and flood 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 \$500.0 million in coverage provided by various insurers. This program has a per occurrence deductible of \$0.3 million with a maximum loss cap of \$0.1 million for the policy period.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9 - RISK MANAGEMENT (Continued)

Environmental Liability Insurance - BCAD carries an environmental liability insurance policy with coverage limits of \$10.0 million per occurrence and \$26.0 million in the aggregate. BCAD is responsible for the first \$0.1 million of each Pollution Condition or Indoor Environmental Condition and \$0.3 million for all covered locations associated with FLL under this policy.

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

The National Flood Insurance Program (NFIP) affords policies for those locations that are situated in special flood hazard areas. BCAD carries four policies with \$0.5 million flood damage and \$0.5 million contents. The deductible \$0.005 million.

Settled claims have not exceeded commercial coverage in the past 3 years.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

BCAD, as a department of the County, participates in the County's single employer, defined benefit healthcare plan (the Plan). The plan allows its employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. BCAD makes no direct contribution to the plan. Retirees and their beneficiaries pay the same group rates as are charged to BCAD for active employees. The Plan does not issue separate OPEB financial reports. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. As of September 30, 2024, the OPEB plan covered 575 active benefits eligible BCAD employees. The County, excluding BSO, had 159 inactive employees who received benefit payments at September 30, 2024, 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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

Significant methods and assumptions by year were as follows:

| | 2024 |
|---------------------------------|---|
| Projected Salary Increases | 3.50% |
| Source of Mortality Assumptions | Various Pub-2010 generational tables projected generationally using scale MP-2021 |
| Healthcare Cost Trend Rates | 8.00% Initial 4.50% - ultimate |
| Discount Rate | 4.06% |
| Projected Cash flows | Pay as you go |
| Municipal Bond rate | 20 Year Tax Exempt General Obligation |
| Bond Rate Basis | AA/Aa or higher |
| Actuarial valuation date | 9/30/2024 |
| Measurement date | 9/30/2024 |
| Actuarial cost method | Entry Age |

*includes 3.5% general inflation rate for Broward County employees

Changes to Total OPEB Liability and Related Ratio

As of September 30, 2024 the total OPEB Liability of \$0.9 million was determined by an actuarial valuation with the measurement date of September 30, 2024.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

Below are the details regarding BCAD's total OPEB liability for the period from October 1, 2023 to September 30, 2024 (in thousands):

| | |
|--|----------------------|
| Total OPEB Liability recognized at 10/1/23 | \$ 1,650 |
| Changes for Fiscal Year: | |
| Service Cost | 92 |
| Interest | 92 |
| Difference between actual and expected xperience | (396) |
| Assumption changes | (420) |
| Benefit Payments | (92) |
| Net Change in total OPEB | <u>(724)</u> |
| Total OPEB Liability at 9/30/24 | <u><u>\$ 926</u></u> |
| Covered Employee Payroll | \$ 46,056 |
| Total as a percentage of Covered employee payroll | 2.01% |

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

The following presents the total BCAD OPEB liability as of September 30, 2024 as well as what the total BCAD OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.06 %) or 1 percentage point higher (5.06 %) than the current discount rate (in thousands):

| As of September 30, 2024 | 1% Decrease | Current Discount Rate | 1% Increase |
|--------------------------|-------------|--------------------------|-------------|
| Trend Rates | 3.06% | 4.06% | 5.06% |
| OPEB Liability | \$ 1,116 | \$ 926 | \$ 893 |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

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

For the year ended September 30, 2024, the following presents for the total BCAD OPEB liability of the County, as well as what BCAD's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.00% to 3.50%) and 1 percentage point higher (9.00% to 5.50%) than the current healthcare cost trend rates (in thousands):

| As of September 30, 2024 | 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 | \$ 838 | \$ 926 | \$ 1,197 |

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

For the year ended September 30, 2024, BCAD recognized OPEB expense of \$0.06 million. At September 30, 2024, BCAD reported deferred outflows and deferred inflows of resources related to OPEB for the following sources, respectively (in thousands):

| As of September 30, 2024 | Deferred Outflows | Deferred Inflows |
|--|----------------------|---------------------|
| Differences between expected and actual experience | \$ 235 | \$ (1,011) |
| Change of assumptions or other inputs | 165 | (891) |
| Total | <u>\$ 400</u> | <u>\$ (1,902)</u> |

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

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|-------------------|
| 2025 | \$ (128) |
| 2026 | (128) |
| 2027 | (128) |
| 2028 | (139) |
| 2029 | (139) |
| Thereafter | (840) |
| | <u>\$ (1,502)</u> |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

A. Pension Plan

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

The general classes of membership for BCAD are as follows:

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

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after 6 years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after 8 years of creditable service. Regular Class and, SMSC members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. Members in these classes initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Special Risk members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. Members in this class initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 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 96 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 4.0% on the preceding month's DROP accumulation until DROP participation ends.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11 – RETIREMENT PLANS (Continued)

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

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

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

Contributions - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2023 through June 30, 2024 and from July 1, 2024 through September 30, 2024, respectively, were as follows: Regular – 11.51% and 13.63%; Senior Management Service – 32.46% and 34.52%; Special Risk – 56.62% and 58.68%; and DROP participants – 19.13% and 21.13%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment. For the fiscal year ended September 30, 2024, contributions, included employee contributions of \$0.9 million, to the Pension Plan for BCAD totaled \$4.1 million.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11 – RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2024, BCAD reported liabilities of \$26.3 million, for its proportionate share of the County's Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. BCAD's proportionate share of the County's net pension liability was based on its share of the County's fiscal year contributions relative to the 2023-2024 fiscal year contributions of all participating members. At June 30, 2024, the BCAD's proportionate share was 0.0779%. The proportionate share for the BCAD at June 30, 2024 as compared to June 30, 2023 was an increase of 0.0005 percentage points.

For the fiscal year ended September 30, 2024, BCAD recognized pension expense of \$5.0 million. In addition, BCAD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

| As of September 30, 2024 | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 3,046 | \$ - |
| Change of assumptions | 4,133 | - |
| Net difference between projected and actual earnings on Pension Plan investments | - | (2,004) |
| Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions | 709 | (152) |
| Pension Plan contributions subsequent to the measurement date | <u>1,034</u> | <u>-</u> |
| Total | <u>\$ 8,922</u> | <u>\$ (2,156)</u> |

The deferred outflows of resources related to the Pension Plan, totaling \$1.0 million 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, 2025. 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> | |
|----------------------------------|-----------------|
| 2025 | \$ (102) |
| 2026 | 5,193 |
| 2027 | 362 |
| 2028 | 10 |
| 2029 | <u>268</u> |
| Total | <u>\$ 5,731</u> |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11 – RETIREMENT PLANS (Continued)

Actuarial Assumptions - The total pension liability in the July 1, 2024 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation | 2.40% |
| Salary Increases | 3.50% average, including inflation |
| Investment Rate of Return | 6.70% net of pension plan investment expense, including inflation |

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2021.

The actuarial assumptions used in the July 1, 2024 valuations were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023. Changes in assumptions reflect a change of rate of salary increases from 3.25% to 3.50%.

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

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

| Asset Class | Target Allocation* | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|--------------------------|--------------------|--------------------------|------------------------------------|--------------------|
| Cash | 1.0% | 3.3% | 3.3% | 1.1% |
| Fixed Income | 29.0% | 5.7% | 5.6% | 3.9% |
| Global Equity | 45.0% | 8.6% | 7.0% | 18.2% |
| Real Estate (Property) | 12.0% | 8.1% | 6.8% | 16.6% |
| Private Equity | 11.0% | 12.4% | 8.8% | 28.4% |
| Strategic Investments | 2.0% | 6.6% | 6.2% | 8.7% |
| | <u>100.0%</u> | | | |
| Assumed Inflation - Mean | | | 2.4% | 1.5% |

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

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11 – RETIREMENT PLANS (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.70%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 6.70% rate of return assumption used in the June 30, 2024 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 for the Pension Plan.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents BCAD's proportionate shares of the net pension liability calculated using the discount rate of 6.70%, as well as what the proportionate shares of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate (dollars in thousands):

| As of September 30, 2024 | <u>1% Decrease</u> | <u>Current Discount</u> | <u>1% Increase</u> |
|---|------------------------|-----------------------------|------------------------|
| Proportional Share of the Net Pension Liability | \$46,338 | \$26,344 | \$9,595 |

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, 2024, BCAD reported payables in the amount of \$0.3 million, for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2024.

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, 2024, 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 period from July 1, 2023, through June 30, 2024, and from July 1, 2024, through September 30, 2024 was 2.00%. 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.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11 - RETIREMENT PLANS (Continued)

In the event legislative appropriate or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

For the fiscal year ended September 30, 2024, contributions to the HIS Plan for BCAD totaled \$0.9 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2024, BCAD reported liabilities of \$13.0 million, for its proportionate share of the County's HIS Plan's net pension liability. The net pension liabilities were measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024 and rolled forward to the measurement date. BCAD's proportionate share of the County's net pension liability was based on its share of the County's 2023-2024 fiscal year contributions relative to the 2023-2024 fiscal year contributions of all participating members. At June 30, 2024, BCAD's proportionate share was 0.0986%, which was an increase of 0.001 percentage points from its proportionate share measured at June 30, 2023.

For the fiscal years ended September 30, 2024, BCAD recognized pension expense of \$0.8 million. 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, 2024 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 146 | \$ (29) |
| Change of assumptions | 268 | (1,790) |
| Net difference between projected and actual earnings on Pension Plan investments | - | (5) |
| Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions | 591 | (118) |
| Pension Plan contributions subsequent to the measurement date | 199 | |
| Total | <u>\$ 1,204</u> | <u>\$ (1,942)</u> |

The deferred outflows of resources as of September 30, 2024 related to the HIS Plan, totaling \$0.2 million 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, 2025.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11 - RETIREMENT PLANS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

| Years Ending September 30 | | |
|---------------------------|----|--------------|
| 2025 | \$ | (92) |
| 2026 | | (183) |
| 2027 | | (341) |
| 2028 | | (204) |
| 2029 | | (89) |
| Thereafter | \$ | (27) |
| Total | \$ | <u>(936)</u> |

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2024 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities as of June 30, 2024. The total pension liabilities as of June 30, 2024, were determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.40% |
| Salary Increases | 3.50% average, including inflation |
| Investment Rate of Return | 3.93%, net of pension plan investment expense, including inflation |

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2021 tables.

The actuarial assumptions that determined the total pension liability as of June 30, 2024 were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023. Changes in assumptions reflect a change of rate of salary increases from 3.25% to 3.50%.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2024 was 3.93% (an increase of 0.28% from the discount rate of 3.65% used in the previous year) with the change between the two measurement dates due to the changes in the applicable municipal bond index between the dates. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents BCAD's proportionate share of the net pension liability calculated as of September 30, 2024, using the discount rate of 3.93%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current rate (in thousands):

| As of September 30, 2024 | 1% Decrease 2.93% | Current Discount Rate 3.93% | 1% Increase 4.93% |
|---|----------------------|--------------------------------|----------------------|
| Proportional Share of the Net Pension Liability | \$14,748 | \$12,955 | \$11,467 |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11 - RETIREMENT PLANS (Continued)

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

Payables to the HIS Plan - At September 30, 2024, BCAD reported payables in the amount of \$67,000 for outstanding contributions to the HIS plan required for the fiscal year ended September 30, 2024.

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 0.06% of payroll and by forfeited benefits of plan members. Effective July 1, 2012, allocations to the investment member's accounts, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular Class - 8.30%, Senior Management Service Class - 9.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2024, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the County.

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

The Investment Plan pension expense for BCAD totaled \$1.7 million for the fiscal year ended September 30, 2024.

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11 - RETIREMENT PLANS (Continued)

Payables to the Investment Plan - At September 30, 2024, BCAD reported payables in the amount of \$0.1 million for outstanding contributions to the Investment Plan required for the fiscal year ended September 30, 2024.

BCAD's proportionate share of the County Plans' net pension liability, deferred outflows of resources and deferred inflows of resources as of September 30, 2024, and pension expense/adjustment for the fiscal year ended September 30, 2024, was allocated to BCAD based on contributions. Amounts are as follows (in thousands):

| | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|--------------|----------------------------|-----------------------------------|----------------------------------|-----------------|
| | 2024 | 2024 | 2024 | 2024 |
| Pension Plan | \$ (26,344) | \$ 8,922 | \$ (2,156) | \$ 4,979 |
| HIS Plan | (12,955) | 1,204 | (1,942) | 801 |
| Total | <u>\$ (39,299)</u> | <u>\$ 10,126</u> | <u>\$ (4,098)</u> | <u>\$ 5,780</u> |

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 \$24.3 million for the year ended September 30, 2024. BCAD also pays the Water and Wastewater Fund, an enterprise fund of the County, for water. The water charges for the year ended September 30, 2024, totaled approximately \$2.5 million.

BCAD contracts directly with the Broward County Sheriff's Office for security services at FLL. The cost of these services was approximately \$31.1 million for the year ended September 30, 2024.

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 \$20.7 million for the year ended September 30, 2024.

The Port Everglades Fund, an enterprise fund of the County, reimburses BCAD for their allocation of maintenance costs for the landscaping on U.S. 1 at FLL. The amount invoiced for the year ended September 30, 2024, was approximately \$0.003 million. Similarly, the Public Works Department, through the General Fund of the County, reimburses BCAD for their allocation of maintenance costs for the landscaping on U.S. 1 at FLL. The reimbursements for the year ended September 30, 2024, were approximately \$0.1 million.

At September 30, 2024, there was a net payable of \$4.6 million due to other County funds.

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

Tutor Perini Fort Lauderdale-Hollywood Venture v Broward County, Circuit Court Case No. 2022-CA-011403 (07) In August 2022, a lawsuit was filed by Tutor Perini Fort Lauderdale-Hollywood Venture ("TPFLHV") against the County seeking damages allegedly arising out of contract work, extras, and delays TPFLHV contends it encountered during its performance on the Terminal 4 Apron project. TPFLHV is seeking approximately \$13.0 million. The County disputes the claims asserted by TPFLHV and on September 16, 2022, County filed a counterclaim against the contractor for damages associated with defective work and false claims. Discovery has not begun in the case and is

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

currently stayed pending completion of presuit contractual procedures. We anticipate the litigation will resume in the second quarter of 2025.

Palm Beach Polo Holdings, Inc. v. Broward County, Circuit Court Case No. 2018-CA-000153 (25)

A business owner filed this case in 2018 asserting an inverse condemnation claim associated with the expansion of the South Runway. The parties participated in court ordered non-binding arbitration on December 21, 2023. The arbitrator ruled in favor of the County. The plaintiff requested a trial before a judge which took place on July 1, 2024. The judge ruled in County's favor. Plaintiff has now filed an appeal. The appellate case could take 12-18 months to conclude. The County continues to believe there is no merit to the plaintiff's claim.

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.

As of September 30, 2024, BCAD has various uncompleted construction projects in process, with commitments totally approximately \$215.4 million. The retainage payable on these contracts totaled approximately \$14.1 million.

NOTE 14 – MAJOR CUSTOMERS

A significant portion of the BCAD's earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines operating out of FLL. BCAD's earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations at FLL and should BCAD be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of the enplaned passengers.

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

| <u>Passenger Enplanements</u> | <u>2024</u> | |
|-------------------------------|-------------------|---------------|
| Spirit Airlines Inc | 5,601,148 | 31.6% |
| JetBlue airways Corporation | 3,396,379 | 19.1% |
| Southwest Airlines Co | 2,194,275 | 12.4% |
| Delta Air Lines Inc | 2,043,331 | 11.5% |
| United Airlines Inc | 1,204,557 | 6.8% |
| American Airlines Inc | 911,018 | 5.1% |
| Allegiant Air LLC | 487,388 | 2.7% |
| Air Canada | 447,635 | 2.5% |
| Frontier Airlines Inc | 265,400 | 1.5% |
| Silver Airways LLC | 153,543 | 1.0% |
| Others | 1,037,224 | 5.8% |
| <u>Total Enplanements</u> | <u>17,741,898</u> | <u>100.0%</u> |

BROWARD COUNTY AVIATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

BCAD has entered into noncancellable SBITAs with various vendors for the intangible right-to-use SBITA assets. The SBITA terms included noncancellable periods per the contract plus/minus any extension options or termination options BCAD is reasonably certain to exercise. BCAD recognized \$8.8 million initial right-to-use SBITA assets balances, amortization of \$4.8 million for the right-to-use asset balance of \$3.9 million net of amortization as of September 30, 2024.

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

| Fiscal Year (s) | Principal | Interest | Total |
|-----------------|-----------------|--------------|-----------------|
| 2025 | \$ 2,771 | \$ 79 | \$ 2,850 |
| 2026 | 1,113 | 15 | 1,128 |
| 2027 | 89 | 1 | 90 |
| Total | <u>\$ 3,973</u> | <u>\$ 95</u> | <u>\$ 4,068</u> |

NOTE 16 – SUBSEQUENT EVENTS

Spirit Airlines filed a petition for Chapter 11 bankruptcy on November 18, 2024. On March 12th, Spirit announced it has emerged from its financial restructuring, completing a consensual, deleveraging transaction that equitizes approximately \$795 million of funded debt. As part of the restructuring, Spirit has also received a \$350 million equity investment from existing investors to support continued operations.

Silver Airways filed a petition for Chapter 11 bankruptcy on December 30, 2024, with the expectation to exit Chapter 11 bankruptcy in the first quarter of calendar year 2025 or by March 31, 2025.

In January 2025, several executive orders were signed by President Trump, that could potentially impact federal financial assistance. Federal agencies have been tasked with reviewing their federal programs to ensure they align with the President's policy priorities. Management has concluded there is no significant impact expected to the financial statements for the year ended September 30, 2024. BCAD does not believe any loss of funds would be material to its financial statements, however the implication of these executive orders is not fully known at the date these financial statements are issued. Receivables associated with federal entities as of September 30, 2024 were approximately \$5.9 million and had been fully collected subsequent to year-end.

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)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Service Cost | \$ 92 | \$ 89 | \$ 181 | \$ 178 | \$ 128 | \$ 102 | \$ 90 |
| Interest | 92 | 85 | 71 | 70 | 90 | 86 | 68 |
| Difference between actual and expected | (396) | 53 | (688) | (119) | 266 | (58) | 60 |
| Assumptions Changes | (420) | (24) | (594) | (8) | 400 | 160 | (26) |
| Benefits Payments. | <u>(92)</u> | <u>(100)</u> | <u>(114)</u> | <u>(128)</u> | <u>(108)</u> | <u>(101)</u> | <u>(96)</u> |
| Net Change in OPEB | <u>(724)</u> | <u>103</u> | <u>(1,144)</u> | <u>(7)</u> | <u>776</u> | <u>189</u> | <u>96</u> |
| Total OPEB Liability beginning | \$ 1,650 | \$ 1,547 | \$ 2,691 | \$ 2,698 | \$ 1,922 | \$ 1,733 | \$ 1,637 |
| Total OPEB Liability ending | <u>\$ 926</u> | <u>\$ 1,650</u> | <u>\$ 1,547</u> | <u>\$ 2,691</u> | <u>\$ 2,698</u> | <u>\$ 1,922</u> | <u>\$ 1,733</u> |
| Covered Employee Payroll | \$ 46,056 | \$ 41,195 | \$ 28,138 | \$ 27,349 | \$ 28,205 | \$ 24,647 | \$ 24,967 |
| Total as a percentage of Covered Employee Payroll | 2.01% | 4.01% | 5.50% | 9.84% | 9.57% | 6.94% | 6.94% |

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

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

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

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 ² | 2015 ² |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|-------------------|
| BCAD's proportion of the net pension liability (asset) | 0.07794% | 0.07735% | 0.07668% | 0.07655% | 0.07209% | 0.07314% | 0.06695% | 0.05398% | 0.05222% | 0.05442% |
| BCAD's proportionate share of the net pension liability (asset) | \$ 26,344 | \$ 27,361 | \$ 25,099 | \$ 2,408 | \$ 27,258 | \$ 20,570 | \$ 17,105 | \$ 15,968 | \$ 13,186 | \$ 7,029 |
| BCAD's covered payroll | \$ 31,061 | \$ 28,910 | \$ 26,427 | \$ 25,804 | \$ 26,446 | \$ 26,446 | \$ 23,848 | \$ 20,343 | \$ 17,906 | \$ 16,898 |
| BCAD's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 84.81% | 94.64% | 94.98% | 9.33% | 103.07% | 77.78% | 86.48% | 78.48% | 73.63% | 41.60% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.70% | 82.38% | 82.89% | 96.40% | 78.85% | 82.61% | 84.26% | 83.89% | 84.88% | 92.00% |

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)**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 ² | 2015 ² |
|--|------------|------------|------------|------------|------------|------------|------------|------------|-------------------|-------------------|
| Contractually required contribution | \$ 4,092 | \$ 3,512 | \$ 2,859 | \$ 2,551 | \$ 2,229 | \$ 2,068 | \$ 1,796 | \$ 1,463 | \$ 1,268 | \$ 1,195 |
| Contributions in relation to the contractually required contribution | \$ (4,092) | \$ (3,512) | \$ (2,859) | \$ (2,551) | \$ (2,229) | \$ (2,068) | \$ (1,796) | \$ (1,463) | \$ (1,268) | \$ (1,195) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| BCAD's covered payroll | \$ 31,515 | \$ 32,256 | \$ 26,622 | \$ 25,814 | \$ 26,541 | \$ 26,342 | \$ 23,967 | \$ 20,806 | \$ 18,749 | \$ 16,890 |
| Contributions as a percentage of covered payroll | 12.98% | 10.89% | 10.74% | 9.88% | 8.40% | 7.85% | 7.50% | 7.03% | 6.76% | 7.08% |

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)**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 ² | 2015 ² |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|-------------------|
| BCAD's proportion of the net pension liability (asset) | 0.09864% | 0.09755% | 0.09539% | 0.09591% | 0.09850% | 0.09848% | 0.08922% | 0.07018% | 0.06900% | 0.06779% |
| BCAD's proportionate share of the net pension liability (asset) | \$ 12,955 | \$ 13,504 | \$ 8,126 | \$ 9,903 | \$ 9,929 | \$ 8,645 | \$ 7,799 | \$ 7,504 | \$ 8,041 | \$ 6,914 |
| BCAD's covered payroll | \$ 42,737 | \$ 38,733 | \$ 34,801 | \$ 33,929 | \$ 34,177 | \$ 32,912 | \$ 29,820 | \$ 25,059 | \$ 17,906 | \$ 20,604 |
| BCAD's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 30.31% | 34.87% | 23.35% | 29.19% | 29.05% | 26.27% | 26.15% | 29.95% | 44.91% | 33.56% |
| Plan fiduciary net position as a percentage of the total pension liability | 4.80% | 4.12% | 4.81% | 3.56% | 3.00% | 2.63% | 2.15% | 1.64% | 0.97% | 0.50% |

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)**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 ² | 2015 ² |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|-------------------|
| Contractually required contribution | \$ 874 | \$ 764 | \$ 584 | \$ 564 | \$ 572 | \$ 555 | \$ 499 | \$ 427 | \$ 383 | \$ 279 |
| Contributions in relation to the contractually required contribution | \$ (874) | \$ (764) | \$ (584) | \$ (564) | \$ (572) | \$ (555) | \$ (499) | \$ (427) | \$ (383) | \$ (279) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| BCAD's covered payroll | \$ 43,702 | \$ 38,209 | \$ 35,186 | \$ 33,951 | \$ 34,432 | \$ 33,512 | \$ 30,549 | \$ 25,680 | \$ 23,071 | \$ 20,290 |
| Contributions as a percentage of covered payroll | 2.00% | 2.00% | 1.66% | 1.66% | 1.66% | 1.66% | 1.63% | 1.66% | 1.66% | 1.38% |

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 planned assets accumulated in a trust. The discount rate used to measure the total OPEB liability at September 30, 2024 was decreased to 4.06% from 4.87%. 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, 2024 was 6.70%. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The rate of return assumption used in the June 30, 2023 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. Changes in assumptions reflect a change of rate of salary increases from 3.25% to 3.50%.

BROWARD COUNTY AVIATION DEPARTMENT
SUPPLEMENTARY INFORMATION

Schedule of Revenue Bond Debt Service Coverage
(in Thousands)

| | 2024 |
|---|--------------------------|
| Revenues | \$ 340,947 |
| Interest income* | 13,907 |
| Current expenses** | <u>(282,310)</u> |
| Net revenues | 72,544 |
| Transfer from General Purposes & Rate Stabilization Account | <u>103,221</u> |
| Net revenues and transfers available for debt service | <u><u>\$ 175,765</u></u> |
| Debt service | |
| Series 2012P-1 Bonds | 20,137 |
| Series 2012P-2 Bonds | 2,285 |
| Series 2012Q-1 Bonds | 21,602 |
| Series 2012Q-2 Bonds | 3,048 |
| Series 2013A Bonds | 4,634 |
| Series 2013B Bonds | 1,617 |
| Series 2013C Bonds | 5,876 |
| Series 2015A Bonds | 28,571 |
| Series 2015B Bonds | 479 |
| Series 2015C Bonds | 6,242 |
| Series 2017 Bonds | 19,350 |
| Series 2019A Bonds | 27,170 |
| Series 2019B Bonds | 5,460 |
| Series 2019C Bonds | 28,680 |
| Passenger facility charge and grant offset | <u>(51,094)</u> |
| Total debt service | <u><u>\$ 124,057</u></u> |
| Debt service coverage | 141.7% |
| Required debt service coverage per bond resolution | 125% |

* Interest income excludes net unrealized gains on investments of \$29,221 for fiscal year 2024.
This also includes \$4,619 of interest on leases.

** Current expenses exclude pension adjustments relating to GASB Statement No. 68 of \$318 for the fiscal year 2024.

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

Independent Auditor's Report

Honorable Board of County Commissioners
Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Broward County Aviation Department (BCAD), a major enterprise fund of Broward County, Florida (the County), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the BCAD's financial statements, and have issued our report thereon dated March 27, 2025.

Report on 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 the BCAD's internal control.

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

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

Passenger Facility Charges (PFCs) Completeness

Criteria:

Management is responsible for preparing financial statements that comply with accounting principles generally accepted in the United State of America (U.S. GAAP). Because Broward County Aviation Department (BCAD) is an enterprise fund of the County, the financial statements are required to be presented using the economic resources measurement focus and the accrual basis of accounting.

Condition and effect:

Management failed to accrue revenue for September 2024 Passenger Facility Charges received in November 2024, thus only capturing 11 months of PFC revenue in the fiscal year ending September 30, 2024. This resulted in a \$5,433,000 understatement to PFC revenue and receivables which management subsequently corrected.

Cause:

Management indicated this occurred because the year-end revenue accruals were not sufficiently reviewed.

Recommendation

We recommend that BCAD review periods subsequent to year-end to ensure cutoff of revenue is proper. We also recommend that all year-end accruals are reviewed including a comparison to the prior year to ensure no accruals are missed.

Management's response

Management agrees with the finding and will review subsequent periods for proper cutoff going forward. Additionally, BCAD will be incorporating PFC Cutoff Reconciliation into the year-end checklist to ensure a full 12 months of activity is recognized in the appropriate period.

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

BCAD's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on BCAD's response to the findings identified in our audit and described above. BCAD's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 27, 2025