

**COUNTY OF SACRAMENTO
DEPARTMENT OF AIRPORTS**

Independent Auditor's Report on Schedules of
Revenues, Net Revenues, and Debt Service and
Rate Covenant Calculations for
Airport System Revenue Bonds

For the Fiscal Year Ended June 30, 2020



Certified
Public
Accountants

COUNTY OF SACRAMENTO
DEPARTMENT OF AIRPORTS
For the Fiscal Year Ended June 30, 2020

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Independent Auditor's Report

The Honorable Board of Supervisors
County of Sacramento, California

We have audited the accompanying Schedules of Revenues, Net Revenues, and Debt Service and Rate Covenant Calculations for the Airport System Revenue Bonds (Schedules) of the County of Sacramento Department of Airports (Department), an enterprise fund of the County of Sacramento (County), California, as of and for the fiscal year ended June 30, 2020, and the related notes to the schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules in accordance with the accounting practices prescribed by Section 6.04 of the Master Indenture of Trust dated May 1, 2008 (Master Indenture). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free of material misstatement.

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

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

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the information set forth therein for the fiscal year ended June 30, 2020, on the basis of accounting described in Note A.

Emphasis of Matter

We draw attention to Note A to the Schedules, which describes the basis of accounting. The Schedules were prepared on the basis of the accounting practices prescribed by Section 6.04 of the Master Indenture, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Master Indenture referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of the Board of Supervisors, management of the County, and the Trustee and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Sacramento, California
November 24, 2020

**COUNTY OF SACRAMENTO DEPARTMENT OF AIRPORTS
SCHEDULES OF REVENUES, NET REVENUES, AND DEBT SERVICE
AND RATE COVENANT CALCULATIONS FOR AIRPORT
SYSTEM REVENUE BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

OPERATING REVENUES:

Concessions	\$ 80,277,417
Building rents	69,725,164
Airfield charges	25,519,182
Airport services	418,914
Ground leases	3,951,170
Sales of fuel	617,198
Other	<u>(10,691,140)</u>
Total Operating Revenues	169,817,905
Nonoperating Revenues	<u>39,846,713</u>
Total Revenues	<u>209,664,618</u>

OPERATING EXPENSES:

Salaries and benefits	40,599,630
Services and supplies	77,594,077
Cost of goods sold	558,780
Other	<u>289,547</u>
Total Operating Expenses	<u>119,042,034</u>
Transfer Out	<u>2,546,362</u>
Net Revenues	<u><u>\$ 88,076,222</u></u>

Accrued Debt Service¹

Interest payments:

July 2019 - December 2019	\$ 15,563,225
January 2020 - June 2020	<u>15,535,945</u>
Total interest payments	<u>31,099,170</u>
Principal payments - July 1, 2020	<u>15,760,000</u>
Total Accrued Debt Service	<u><u>\$ 46,859,170</u></u>

¹ Accrued Debt Service is defined by the Master Indenture as for any period of time and with respect to any Outstanding Obligations, the amount of Debt Service on such Obligations accrued and to accrue during such period.

See accompanying notes to the schedule of revenues, net revenues, and debt service and rate covenant calculations for airport system revenue bonds.

**COUNTY OF SACRAMENTO DEPARTMENT OF AIRPORTS
SCHEDULES OF REVENUES, NET REVENUES, AND DEBT SERVICE
AND RATE COVENANT CALCULATIONS FOR AIRPORT
SYSTEM REVENUE BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Rate Covenant - per Section 6.04 (a)	
Revenues	\$ 209,664,618
Less: Operating Expenses	(119,042,034)
Less: Transfer Out	(2,546,362)
Net Revenues	<u>88,076,222 (a)</u>
Transfers required by Sections 5.04 (b) through (k): ²	
Accrued Debt Service on Senior Obligations	46,859,170
Operating Reserve Account Deposit	5,035,033
Total Transfers	<u>\$ 51,894,203 (b)</u>
Total Transfers Coverage (>1.00)	1.70 (a / b)
Rate Covenant - per Section 6.04 (b)(i)	
Net Revenues	\$ 88,076,222
Transfer (limited to 25% of Accrued Debt Service on Senior Obligations)	<u>11,714,793</u>
Net Revenues + Transfer	<u>99,791,015 (c)</u>
Accrued Debt Service on Senior Obligations	<u>\$ 46,859,170 (d)</u>
Debt Service Coverage (>1.25)	2.13 (c / d)
Rate Covenant - per Section 6.04 (b)(ii)	
Net Revenues	\$ 88,076,222
Transfer (limited to 10% of Accrued Debt Service on Senior Obligations)	<u>4,685,917</u>
Net Revenues + Transfer	<u>92,762,139 (e)</u>
Accrued Debt Service on Senior Obligations	46,859,170
Debt Service on Subordinate Obligations	16,703,950
Less: Passenger Facility Charges	<u>(16,703,950)</u>
Accrued Debt Service on Senior and Subordinate Obligations	<u>\$ 46,859,170 (f)</u>
Debt Service Coverage (>1.10)	1.98 (e / f)

²The calculation of the rate covenant pursuant to Section 6.04 (a) includes only the items for which a transfer was required during fiscal year 2020. Transfers are defined as amounts withdrawn from the Revenue Fund during such fiscal year to pay operating expenses and to make any required payments or deposits to pay or secure the payment of Obligations (obligations, including bonds, pursuant to the Master and Supplemental Indentures).

See accompanying notes to the schedule of revenues, net revenues, and debt service and rate covenant calculations for airport system revenue bonds.

**COUNTY OF SACRAMENTO DEPARTMENT OF AIRPORTS
SCHEDULES OF REVENUES, NET REVENUES, AND DEBT SERVICE
AND RATE COVENANT CALCULATIONS FOR AIRPORT
SYSTEM REVENUE BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Rate Covenant - per Section 6.04 (b)(iii)	
Net Revenues	<u>\$ 88,076,222 (g)</u>
Accrued Debt Service on:	
Senior Obligations	46,859,170
Subordinate Obligations	16,703,950
Less: Passenger Facility Charges	<u>(16,703,950)</u>
Total Accrued Debt Service	<u>46,859,170 (h)</u>
Debt Service Coverage (>1.00)	1.88 (g / h)

See accompanying notes to the schedule of revenues, net revenues, and debt service and rate covenant calculations for airport system revenue bonds.

**COUNTY OF SACRAMENTO DEPARTMENT OF AIRPORTS
NOTES TO THE SCHEDULES OF REVENUES, NET REVENUES, AND
DEBT SERVICE AND RATE COVENANT CALCULATIONS FOR
AIRPORT SYSTEM REVENUE BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note A – Basis of Presentation

The Schedules of Revenues, Net Revenues, and Debt Service and Rate Covenant Calculations (Schedules) for the Airport System Revenue Bonds were prepared to comply with the requirements of Section 6.04 of the Master Indenture of Trust by and between the County of Sacramento and the Bank of New York Trust Company dated May 1, 2008 (Master Indenture). The definitions of Revenues, Net Revenues, and Debt Service and Rate Covenants used in this report are as set forth in the Master Indenture.

Note B – Reconciliation to County of Sacramento Financial Statements

The following is a reconciliation of amounts reported in the Schedules to amounts reported in the audited financial statements of the Airports Enterprise Fund of the County of Sacramento for the fiscal year ended June 30, 2020.

Amounts per the Statement of Revenues, Expenses and Changes in Fund Net Position:

	<u>Revenues</u>	<u>Net Revenues</u>
Total operating revenues plus total nonoperating revenues and capital contributions	\$ 258,826,924	\$ -
Change in net position	-	44,419,752
Adjustments to calculate revenues and net revenues as stated in the bond indenture:		
Interest earnings excluded from revenues	(2,157,817)	(2,157,817)
Depreciation and amortization	-	52,842,238
Amortization of prepaid bond insurance	-	25,902
Bond interest expense	-	38,910,448
Gain on sale of assets	(146,554)	(146,554)
Loss on sale of assets	-	1,040,188
Gain on bond defeasance	(1,305,393)	(1,305,393)
Capital contributions	(20,520,520)	(20,520,520)
Passenger facility charges revenue	(19,191,446)	(19,191,446)
Customer facility charges revenue	(5,840,576)	(5,840,576)
Amounts per accompanying schedule	<u>\$ 209,664,618</u>	<u>\$ 88,076,222</u>