

**COUNTY OF SACRAMENTO
DEPARTMENT OF AIRPORTS**

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

For the Fiscal Year Ended June 30, 2023

COUNTY OF SACRAMENTO DEPARTMENT OF AIRPORTS
Schedules of Revenues, Net Revenues, Debt Service and
Rate Covenant Calculations for Airport System Revenue Bonds
For the Fiscal Year Ended June 30, 2023

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Independent Auditor's Report

The Honorable Board of Supervisors
County of Sacramento, California

Report on the Audit of the Schedules

Opinion

We have audited the Schedules of Revenues, Net Revenues, 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, California (County), as of and for the fiscal year ended June 30, 2023, and the related notes to the Schedules.

In our opinion, the accompanying Schedules present fairly, in all material respects, the revenues, net revenues, debt service and rate covenant calculations of the Department's Airport System Revenue Bonds for the fiscal year ended June 30, 2023, in accordance with the financial reporting provisions of Section 6.04 of the Master Indenture of Trust dated May 1, 2008 (Master Indenture).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the Department 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 – Basis of Accounting

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. As a result, the Schedules may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Schedules

The Department's 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 to comply with the financial reporting provisions of the Master Indenture. The Department's 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 Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the Schedules 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 not a guarantee that an audit conducted in accordance with GAAS 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedules.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedules, 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 Schedules.
- 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 Department'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 Schedules.

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.

Other-Matter Paragraph - Restriction on Use

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

Macias Gini É O'Connell LLP

Sacramento, California
November 28, 2023

COUNTY OF SACRAMENTO DEPARTMENT OF AIRPORTS
Schedules of Revenues, Net Revenues, Debt Service
and Rate Covenant Calculations for Airport System Revenue Bonds
For the Fiscal Year Ended June 30, 2023

OPERATING REVENUES:

Concessions	\$ 106,392,621
Building rents	71,732,555
Airfield charges	31,555,006
Airport services	427,692
Ground leases	9,834,059
Sales of fuel	922,763
Other	<u>3,633</u>
Total Operating Revenues	220,868,329
Nonoperating Revenues	<u>25,025,803</u>
Total Revenues	<u>245,894,132</u>

OPERATING EXPENSES:

Salaries and benefits	39,869,391
Services and supplies	102,617,535
Cost of goods sold	860,635
Other	<u>433,684</u>
Total Operating Expenses	143,781,245
Transfer Out	<u>2,953,104</u>
Net Revenues	<u>\$ 99,159,783</u>

Accrued Debt Service¹

Interest payments of Senior Obligations Bonds:	
July 2022 - December 2022	\$ 12,872,825
January 2023 - June 2023	<u>12,872,825</u>
Total interest payments	25,745,650
Principal payments - July 1, 2023	<u>-</u>
Total Accrued Debt Service	<u>\$ 25,745,650</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, debt service and rate covenant calculations for airport system revenue bonds.

COUNTY OF SACRAMENTO DEPARTMENT OF AIRPORTS
Schedules of Revenues, Net Revenues, Debt Service
and Rate Covenant Calculations for Airport System Revenue Bonds
For the Fiscal Year Ended June 30, 2023

Rate Covenant - per Section 6.04 (a)	
Revenues	\$ 245,894,132
Less: Operating Expenses	(143,781,245)
Less: Transfer Out	(2,953,104)
Net Revenues	<u>\$ 99,159,783 (a)</u>
Transfers required by Sections 5.04 (b) through (k) ¹	
Accrued Debt Service on Senior Obligations	\$ 25,745,650
Operating Reserve Account Deposit	1,568,838
Total Transfers	<u>\$ 27,314,488 (b)</u>
Total Transfers Coverage (>1.00)	3.63 (a/b)
Rate Covenant - per Section 6.04 (b)(i)	
Net Revenues	\$ 99,159,783
Transfer (limited to 25%)	6,436,413
Net Revenues + Transfer	<u>\$ 105,596,196 (c)</u>
Accrued Debt Service on Senior Obligations	<u>\$ 25,745,650 (d)</u>
Debt Service Coverage (>1.25)	4.10 (c/d)
Rate Covenant - per Section 6.04 (b)(ii)	
Net Revenues	\$ 99,159,783
Transfer (limited to 10%)	2,574,565
Net Revenues + Transfer	<u>\$ 101,734,348 (e)</u>
Accrued Debt Service on Senior Obligations	\$ 25,745,650
Debt Service on Subordinate Obligations	16,710,000
Less: Passenger Facility Charges	<u>(16,710,000)</u>
Accrued Debt Service of Senior and Subordinate Obligations	<u>\$ 25,745,650 (f)</u>
Debt Service Coverage (>1.10)	3.95 (e/f)

¹The calculation of the rate covenant pursuant to Section 6.04 (a) includes only the items for which a transfer was required during FY 2023. 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, debt service and rate covenant calculations for airport system revenue bonds.

COUNTY OF SACRAMENTO DEPARTMENT OF AIRPORTS
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For the Fiscal Year Ended June 30, 2023

Rate Covenant - per Section 6.04 (b)(iii)	
Net Revenues	\$ 99,159,783 (g)
Accrued Debt Service on	
Senior Obligations	\$ 25,745,650
Subordinate Obligations	16,710,000
Less: Passenger Facility Charges	(16,710,000)
Junior Subordinate Obligations	-
Total	<u>\$ 25,745,650 (h)</u>
Debt Service Coverage (>1.00)	3.85 (g/h)

See accompanying notes to the schedule of revenues, net revenues, 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, Debt Service and Rate
Covenant Calculations for Airport System Revenue Bonds
For the Fiscal Year Ended June 30, 2023

Note A – Basis of Presentation

The Schedules of Revenues, Net Revenues, 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, 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, 2023.

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

	Total Revenues	Net Revenues
Total operating revenues plus total nonoperating revenues and capital contributions	\$ 295,828,162	\$ -
Change in net position	-	58,274,423
Adjustments to calculate revenues and net revenues as stated in the bond indenture:		
Interest earnings excluded from revenues	(1,492,330)	(1,492,330)
Depreciation and amortization	-	57,091,392
Amortization of prepaid bond insurance	-	22,100
Bond interest expense	-	32,137,012
Gain on sale of assets	(117,896)	(117,896)
Loss on sale of assets	-	1,568,886
Capital contributions	(16,343,566)	(16,343,566)
Passenger facility charges revenue	(25,950,108)	(25,950,108)
Customer facility charges revenue	(9,014,790)	(9,014,790)
Amounts per accompanying schedule	\$ 242,909,472	\$ 96,175,123