

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT AIRPORT AUTHORITY
FISCAL YEARS ENDED JUNE 30, 2016 AND 2017*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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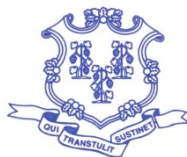
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November 5, 2020

EXECUTIVE SUMMARY

In accordance with the provisions of Sections 1-122 and 2-90 of the Connecticut General Statutes, we have audited certain operations of the Connecticut Airport Authority for the fiscal years ended June 30, 2016 and 2017. Our audit did not identify any internal control deficiencies; instances of noncompliance with laws, regulations, and policies; or the need for changes in management practices that warrant the attention of management.

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

November 5, 2020

AUDITORS' REPORT CONNECTICUT AIRPORT AUTHORITY FISCAL YEARS ENDED JUNE 30, 2016 AND 2017

We have audited certain operations of the Connecticut Airport Authority in fulfillment of our duties under Sections 1-122 and 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2016 and 2017. The objectives of our audit were to:

1. Evaluate the authority's internal controls over significant management and financial functions;
2. Evaluate the authority's compliance with policies and procedures internal to the authority or promulgated by other state agencies, as well as certain legal provisions; including whether the authority has complied with its regulations concerning affirmative action, personnel practices, the purchases of goods and services, the use of surplus funds, and the distribution of loans, grants and other financial assistance, as applicable; and
3. Evaluate the effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the authority; and testing selected transactions. Our testing is not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying *Résumé of Operations* is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the authority's management and the state's information systems, and was not subjected to the procedures applied in our audit of the authority. For the areas audited, we:

1. Did not identify deficiencies in internal controls;
2. Did not identify apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. Did not identify need for improvements in management practices and procedures that we deemed to be reportable.

COMMENTS

FOREWORD

The Connecticut Airport Authority (CAA) was established by Public Act 11-84, effective July 1, 2011. The Connecticut Airport Authority operates principally under the provisions of Title 15, Chapter 267b of the General Statutes. Section 15-120bb(a) of the General Statutes names CAA a public instrumentality and political subdivision of the state created for the performance of an essential public and governmental function. Pursuant to Chapter 12, Section 1-120, CAA is classified as a quasi-public agency subject to the requirements found in Chapter 12. As a quasi-public agency, the authority's financial information is included as a component unit in the state's Comprehensive Annual Financial Report.

The Connecticut Airport Authority operates Bradley International Airport and the state's 5 general aviation airports (Danielson, Groton-New London, Hartford-Brainard, Waterbury-Oxford, and Windham). The authority's mission is to provide outstanding airport service and grow the regional economy.

Board of Directors and Administrative Officials

Pursuant to Section 15-120bb(b) of the General Statutes, the Connecticut Airport Authority Board of Directors consists of 11 voting members, of which 3 serve as ex-officio members and 8 are appointed members.

Members of the board as of June 30, 2017, were as follows:

Ex-Officio Members:

Peter B. McAlpine	State Treasurer's Designee
James P. Redeker	Commissioner, Department of Transportation
Catherine H. Smith	Commissioner, Department of Economic and Community Development

Appointed Members:

Robert J. Aaronson	
Brett C. Browchuk	
Charles R. Gray	Chair
J. Scott Guilmartin	
Karen M. Jarmoc	
Mary Ellen S. Jones	
Matthew J. Kelly	
Michael T. Long	Vice Chair

In addition, the board has set up several committees and subcommittees to expedite certain CAA business activities and to maintain controls over its transactions. During the audited period, the authority's board had 6 standing committees:

- Bradley Advisory Committee
- Economic Asset Development Committee
- Finance and Operations Committee
- Human Resources and Governance Committee
- Investment Committee
- Legislative Committee

The board appoints the CAA executive director. Kevin Dillon was appointed executive director in June 2012, and served in that capacity throughout the audited period.

Significant Legislation

Noteworthy legislation that took effect during the period under review and thereafter is presented below:

- **Public Act 16-129**, effective October 1, 2016, amended Section 15-120dd(c) of the General Statutes by allowing CAA to obtain insurance covering board members, the director, and employees, instead of executing a surety bond for them. The insurance must be equivalent to the bond, issued by an insurer licensed in Connecticut and paid for by CAA.
- **Public Act 18-66**, effective June 1, 2018, extended the hours an airport airline club permittee may sell and dispense alcoholic liquor for on-premises consumption, or have

alcohol out in glasses or similar containers, allowing them to do so (1) three hours earlier Monday through Saturday, starting at 6:00 a.m. instead of 9:00 a.m., and (2) four hours earlier on Sunday, starting at 6:00 a.m. instead of 10:00 a.m. The act also allowed CAA, rather than the state, to enter into agreements with lessees or concessionaires regarding the hours for selling, dispensing, and allowing food or nonalcoholic beverages to be consumed under airport restaurant, airport bar, or airport airline club permits.

- **Public Act 18-142**, effective June 13, 2018, allowed the administrative services commissioner to delegate to any CAA employee such powers deemed expedient to properly administer any fire prevention and safety statute on CAA-controlled property. The delegation must be made under a memorandum of understanding (MOU) between the commissioner and the CAA executive director. The act also allowed the emergency services and public protection commissioner to grant the authority , upon CAA's application and at its expense, one person that the CAA designates to serve as a sworn police officer with arrest powers on property, business, and airplanes owned or controlled by CAA.
- **Public Act 19-123**, effective July 9, 2019, modified the Freedom of Information Act (FOIA) by exempting public agencies' responses to private entities' requests for proposals (RFPs) or bid solicitations from disclosure (existing law exempted from disclosure responses to public agencies' RFPs or bid solicitations). Effective October 1, 2019 the act also transferred the authority to spend funds in the Connecticut Airport and Aviation Account from the transportation commissioner to the CAA executive director. Lastly, the act increased, from \$500,000 to \$1,000,000, the maximum amount of non-budgeted emergency expenditures that the CAA board may authorize the executive director to make without prior board approval.

RÉSUMÉ OF OPERATIONS

Introduction

The State of Connecticut established the Connecticut Airport Authority, effective July 1, 2011, to operate Bradley International Airport and the state's 5 general aviation airports. CAA is a component unit of the state and its eligible employees participate in the State Employees' Retirement System.

The Connecticut Airport Authority maintains two funds: (1) the Bradley International Airport Fund to account for the operations of Bradley International Airport, and (2) the General Aviation Airport Enterprise Fund to account for the general aviation airports located within the state.

CAA is required to report on Bradley International Airport's surface parking lots, garage, and related bonds in a separate enterprise fund of the state. Accordingly, these assets and liabilities are not reported in CAA's financial statements.

The financial position of CAA as of June 30, 2016 and 2017, per its audited financial statements, is presented as follows:

Balance Sheet

Connecticut Airport Authority Balance Sheet		
Fiscal Year Ended June 30,		
	2016	2017
Assets		
Current Assets		
Cash	\$ 10,755,077	\$ 13,229,194
Short-term Investments	72,290,942	82,599,816
Accounts Receivable, Net	6,241,501	7,654,457
Grants Receivable	3,653,717	5,417,947
Restricted Investments, Current Portion	3,110,253	3,215,243
Due from State	4,788,717	6,416,544
Prepaid Expenses and Other	63,352	-
Total Current Assets	100,903,559	118,533,201
Noncurrent Assets		
Restricted Assets:		
Car Rental Facility	35,728,714	43,657,364
Passenger Facility	63,642,560	66,168,813
Bond Indenture	17,205,130	11,338,004
Capital Assets	322,612,950	318,955,959
Total Noncurrent Assets	439,189,354	440,120,140
Total Assets	540,092,913	558,653,341
Deferred Outflows of Resources		
Interest Rate Swaps	23,870,642	16,264,598
Deferred Loss on Bond Refunding	1,875,919	1,752,908
Deferred Pension Outflows *	-	22,777,012
Total Deferred Outflows of Resources	25,746,561	40,794,518
Total Assets and Deferred Outflows of Resources	565,839,474	599,447,859
Liabilities		
Current Liabilities		
Current Maturities of Revenue Bonds	6,690,000	6,960,000
Accounts Payable and Accrued Liabilities	12,984,404	15,464,752
Due to State	922,356	992,424
Revenue Bond Interest Payable	1,209,977	1,122,043
Deferred Revenue and Other	5,804,373	6,305,609
Total Current Liabilities	27,611,110	30,844,828
Noncurrent Liabilities		
Revenue bonds payable, less current maturities	116,290,000	109,330,000
Interest Rate Swap	23,870,642	16,264,598
Net Pension Liability	57,383,197	74,542,244
Total Noncurrent Liabilities	197,534,839	200,136,842
Total Liabilities	225,154,949	230,981,670
Deferred Inflow of Resources		
Change in Projected Pension Investment Earnings	1,492,392	4,265,918

Total Liabilities and Deferred Inflow of Resources	226,647,341	235,247,588
Net Position		
Net Investments in Capital Assets	196,627,354	200,259,927
Restricted for:		
Capital Projects	110,309,263	114,613,027
Debt Service	7,276,378	7,664,138
Bond Indenture Requirements	2,101,016	2,102,259
Unrestricted	22,878,122	39,560,920
Total Net Position	339,192,133	364,200,271
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 565,839,474	\$ 599,447,859

* The \$22,777,012 in deferred pension outflows represents an increase in pension liability, primarily attributable to changes in actuarial assumptions, which will be amortized and recognized as pension expense in future years.

Revenue and Expenditures

Connecticut Airport Authority Statement of		
Fiscal year Ended June 30,		
	2016	2017
Operating Revenues		
Landing Fees	\$ 18,110,819	\$ 18,461,775
Airline Terminal Rent	9,784,983	10,404,152
Aircraft Parking	4,018,922	4,110,213
Auto Parking	11,157,216	11,391,516
Rental Cars	9,021,586	9,163,824
Terminal Concessions	4,025,919	4,399,153
Land Rent	6,299,257	6,163,308
Other Concessions	3,508,277	3,960,442
Other Operating Revenue	3,705,296	3,782,955
Total Operating Revenues	69,632,275	71,837,338
Operating Expenses		
Salaries and Related Expenses	25,018,604	25,134,597
Administrative and General	17,032,335	18,360,164
Utilities	5,203,577	5,162,065
Repairs and Maintenance	7,080,710	7,655,291
Depreciation and Amortization	20,004,087	20,462,732
Total Operating Expense	74,339,313	76,774,849
Operating Income (Loss)	(4,707,038)	(4,937,511)
Nonoperating Revenues (Expenses)		
Car Rental Facility Charge Revenue	8,928,045	10,221,866
Passenger Facility Charge Revenue	12,062,845	12,961,576
Investment Income	255,220	624,489
Revenue Bond Interest Expense	(4,918,630)	(4,595,692)
Other Nonoperating Expenses	(11,307,682)	(1,894,692)
Airline Net Revenue Share Expense	(1,463,061)	(2,312,026)
State Operating Subsidies	5,188,259	4,166,125
Actuarial Pension Gain	531,591	2,844,439
Net Nonoperating Revenues (Expenses)	9,276,587	22,016,085
Income (Loss) Before Capital Contributions	4,569,549	17,078,574
Capital Contributions	6,020,513	7,929,564

Change in Net Position	10,590,062	25,008,138
Total Net Position, Beginning of Year	328,602,071	339,192,133
Total Net Position, End of Year	\$ 339,192,133	\$ 364,200,271

Operating revenues for the 2016-2017 fiscal year totaled \$71,837,338, an increase of \$2,205,063 from the previous year. Operating revenues consisted of airline and non-airline sources. The airlines pay rates and charges based on budgeted operating expenditures and debt service allocated to airline cost centers including the landing area, terminal building, and aircraft parking aprons. Non-airline revenues consist of various concessions including parking, rental cars, food and beverage, retail, and advertising.

Operating expenses for the 2016-2017 fiscal year totaled \$76,774,849, an increase of \$2,435,536 from the previous year. Operating expenses included salaries, contractual services, energy, utilities, and depreciation.

Nonoperating revenues and expenses included Bradley’s Passenger Facility Charges, customer facility charges, investment income, revenue bond interest expense, and other expenses.

Overall revenues were slightly higher in the 2016-2017 fiscal year than in the previous year due to an increase in landing, auto and concession fees. Overall expenses increased in the 2016-2017 fiscal year due to an increase in administrative costs, overtime, depreciation and amortization, and necessary airport repairs and maintenance.

Financial Statement Audits

Independent public accountants (IPA) audited the CAA financial statements for the fiscal years under review. Those audits attested that the financial statements presented fairly, in all material respects, the financial position of CAA for the audited period, and the results of its operations and cash flows during that period in conformity with accounting principles generally accepted in the United States of America.

As an integral part of their financial statement audits, the IPA also provided reports on compliance and internal control over financial reporting, which indicated that no material weaknesses in compliance and internal control over financial reporting were identified. However, for the 2015-2016 fiscal year, the IPA reported a deficiency in internal control, noting that CAA had to make a \$10,932,270 prior period adjustment to eliminate a capital asset recorded twice in the General Aviation Airport Fund. CAA management’s capital assets controls led to the discovery of the duplication in fiscal year 2015-2016. No other duplications were noted.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Connecticut Airport Authority contained one recommendation, which will not be repeated in our current audit. Our current audit report did not result in any recommendations.

- The Connecticut Airport Authority should follow the procedures set forth in the affirmative action policy it adopted under Section 1-121 of the General Statutes. **This recommendation will not be repeated.**

Current Audit Recommendations:

The current audit did not result in any recommendations.

ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Connecticut Airport Authority during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Marcin Baran
James Carroll
Jacob Rocco
Tatsiana Sidarau



Marcin Baran
Associate Auditor

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor