

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT AIRPORT AUTHORITY
FISCAL YEARS ENDED JUNE 30, 2018 AND 2019*

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

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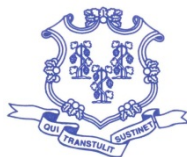
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February 25, 2021

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, 2018 and 2019. 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

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Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

February 25, 2021

AUDITORS' REPORT CONNECTICUT AIRPORT AUTHORITY FISCAL YEARS ENDED JUNE 30, 2018 AND 2019

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, 2018 and 2019. 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, and 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 five 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, 2019, were as follows:

Ex-Officio Members:

Joseph J. Giulietti	Commissioner, Department of Transportation
Beatriz Gutierrez	Department of Economic and Community Development Commissioner's Designee
Peter B. McAlpine	State Treasurer's Designee

Appointed Members:

Robert J. Aaronson	
Brett C. Browchuk	
J. Scott Guilmartin	
Karen M. Jarmoc	
Mary Ellen S. Jones	
Matthew J. Kelly	
Michael T. Long	Vice Chair
Thomas A. (Tony) Sheridan	Chair

Other persons serving during the audited period include:

James P. Redeker	Commissioner, Department of Transportation
Catherine H. Smith	Commissioner, Department of Economic and Community Development
Charles R. Gray	Appointed Member serving as a Chair

In addition, the board established several committees and subcommittees to expedite the authority's business activities and maintain controls over its transactions. During the audited period, the board had seven standing committees:

- Bradley Advisory Committee
- Economic Asset Development Committee
- Finance and Operations Committee
- Human Resources and Governance Committee
- Investment Committee
- Legislative Committee
- Audit 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 18-66**, effective June 1, 2018, extended the hours an airport airline club permittee may sell and dispense alcohol for on-premises consumption, or have alcohol out

in glasses or similar containers. The act also allowed the Connecticut Airport Authority, 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 commissioner of the Department of Administrative Services (DAS) to delegate to any Connecticut Airport Authority 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 DAS commissioner and the CAA executive director. The act also allowed CAA to apply to the commissioner of the Department of Emergency Services and Public Protection to grant CAA-designated person to serve as a sworn police officer with arrest powers on CAA owned or controlled property, business, and airplanes. The authority is required pay the costs of the police officer.
- **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 commissioner of the Department of Transportation to the authority's 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 five 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 the CAA financial statements.

The financial position of CAA as of June 30, 2018 and 2019, per its audited financial statements, is presented as follows:

Balance Sheet

Fiscal Year Ended June 30,		
	2018	2019
Assets		
Current Assets		
Cash	\$ 5,002,051	\$ 2,928,002
Short-term Investments	98,334,932	107,342,220
Accounts Receivable, Net	10,348,384	7,467,884
Grants Receivable	7,075,474	3,156,068
Restricted Investments, Current Portion	3,330,595	11,075,381
Due from State	2,970,365	5,567,335
Prepaid Expenses and Other	115,661	57,833
Total Current Assets	127,177,462	137,594,723
Noncurrent Assets		
Restricted Assets:		
Cash	461	717,548
Investments	126,471,620	277,292,618
Accounts Receivable	2,977,749	3,392,708
Interest Receivable	174,924	546,493
Capital Assets		
Assets not Subject to Depreciation	65,939,701	75,446,009
Assets Subject to Depreciation - Net	259,791,673	278,346,840
Total Noncurrent Assets	455,356,128	635,742,216
Total Assets	582,533,590	773,336,939
Deferred Outflows of Resources		
Interest Rate Swaps	10,999,429	13,740,129
Deferred Loss on Bond Refunding	1,629,896	1,506,885
Deferred Cost of Bond Issuance – Net	0	46,932
Deferred Pension Outflows	18,804,309	18,650,157
Deferred OPEB Cost	2,913,910	3,716,483
Total Deferred Outflows of Resources	34,347,544	37,660,586
Total Assets and Deferred Outflows of Resources	616,881,134	810,997,525
Liabilities		
Current Liabilities		
Current Maturities of Revenue Bonds	7,225,000	7,510,000
Accounts Payable and Accrued Liabilities	19,639,843	23,908,295
Due to State	3,320,972	132,097
Revenue Bond Interest Payable	1,074,179	2,471,701
Unearned Revenue and Other	5,800,980	5,080,646
Total Current Liabilities	37,060,974	39,102,739
Noncurrent Liabilities		
Revenue Bonds Payable, Less Current Maturities	102,105,000	248,997,614
Interest Rate Swap	10,999,429	13,740,129
Net Pension Liability	69,792,770	74,095,817
Net OPEB Liability	70,471,934	68,913,262
Total Noncurrent Liabilities	253,369,133	405,746,822
Total Liabilities	290,430,107	444,849,561
Deferred Inflow of Resources		

Deffered Pension Cost Reductions	3,430,594	2,561,047
Deffered OPEB Cost Reductions	2,014,266	4,834,207
Total Liabilities and Deferred Inflow of Resources	295,874,967	452,244,815
Net Position		
Net Investments in Capital Assets	218,031,270	231,304,688
Restricted for:		
Capital Projects	124,329,702	130,267,633
Debt Service	6,520,911	14,255,427
Bond Indenture Requirements	2,104,736	16,031,277
Unrestricted	(29,980,452)	(33,106,315)
Total Net Position	321,006,167	358,752,710
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 616,881,134	810,997,525

Revenue and Expenditures

Fiscal year Ended June 30,		
	2018	2019
Operating Revenues		
Landing Fees	\$ 18,170,410	\$ 19,050,115
Airline Terminal Rent	10,907,545	11,701,400
Aircraft Parking	4,516,881	4,292,773
Auto Parking	11,630,736	11,874,984
Rental Cars	8,662,897	8,918,953
Terminal Concessions	4,772,836	5,022,936
Land Rent	6,736,332	6,537,447
Other Concessions	4,811,206	5,015,754
Other Operating Revenue	3,868,697	3,965,210
Total Operating Revenues	74,077,540	76,379,572
Operating Expenses		
Salaries and Related Expenses	26,018,146	28,487,365
Administrative and General	20,847,958	19,295,507
Utilities	5,125,532	5,284,784
Repairs and Maintenance	7,936,565	8,700,228
Depreciation and Amortization	21,203,669	20,651,591
Total Operating Expense	81,131,870	82,419,475
Operating Income (Loss)	(7,054,330)	(6,039,903)
Nonoperating Revenues (Expenses)		
Car Rental Facility Charge Revenue	11,355,891	13,537,564
Passenger Facility Charge Revenue	14,196,631	15,178,632
Investment Income	1,582,400	2,882,435
Aviation Fuel Tax Revenue	5,214,602	7,135,442
Revenue Bond Interest Expense	(4,347,945)	(5,657,275)
Other Nonoperating Expenses	(3,903,996)	(3,016,225)
Airline Net Revenue Share Expense	(2,076,502)	(2,427,728)
Noncash Pension and OPEB Actuarial Adjustments	2,323,041	(4,046,348)
Net Nonoperating Revenues (Expenses)	24,344,122	23,586,497
Income (Loss) Before Capital Contributions	17,289,792	17,546,594
Capital Contributions	9,799,340	20,199,950

Change in Net Position	27,089,132	37,746,543
Total Net Position, Beginning of Year	364,200,271	321,006,167
Cumulative Effect of Change in Accounting *	(70,283,236)	N/A
Total Net Position, Beginning of Year - Adjusted	293,917,035	N/A
Total Net Position, End of Year	\$ 321,006,167	\$ 358,752,710

** In Fiscal Year 2018, CAA adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pension. As result, the financial statements and proprietary funds now include a liability for the unfunded portion of the funds' healthcare cost. As a result of implementing this statement, the beginning net position of the funds was reduced by \$70,283,236.*

Operating revenues for the 2018-2019 fiscal year totaled \$76,379,572, an increase of \$2,302,032 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 2018-2019 fiscal year totaled \$82,419,475, an increase of \$1,278,605 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 2018-2019 fiscal year than in the previous year due to an increase in landing, auto and concession fees. Overall expenses increased in the 2018-2019 fiscal year due to an increase in administrative costs, overtime, depreciation and amortization, and necessary airport repairs and maintenance.

On April 9, 2019, Connecticut Airport Authority Customer Facility Charge Revenue Bonds Series 2019A and 2019B were issued in the amount of \$35,410,000 and \$115,690,000, respectively, to fund the construction of a Ground Transportation Center at Bradley International Airport. The aggregate principal and interest payments of the Series 2019A and 2019B bonds total \$277,717,133. The transaction resulted in a deferred accounting gain of \$3,330,136, which CAA is amortizing over the life of the debt.

As of June 30, 2019, the outstanding principal balances on the Series 2019A and 2019B bonds were \$35,410,000 and \$115,690,000, respectively. On the Series 2019A and 2019B, interest is charged at a graduating rate from 2.8% to 5.0%.

The 2019 bonds are secured by and payable solely from customer facility charges, facility payments, and contingent payments generated by CAA from receipts, funds, or monies pledged in the bond indenture.

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.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Connecticut Airport Authority did not result in any recommendations.

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