

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT AIRPORT AUTHORITY
FISCAL YEARS ENDED JUNE 30, 2020 AND 2021*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

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September 8, 2022

EXECUTIVE SUMMARY

In accordance with the provisions of Sections 1-122, 2-90, and 15-120kk of the Connecticut General Statutes, we have audited certain operations of the Connecticut Airport Authority for the fiscal years ended June 30, 2020 and 2021. Our audit did not identify any instances of noncompliance with laws, regulations, and policies; internal control deficiencies; or a need for improvement in practices and procedures 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

CLARK J. CHAPIN

September 8, 2022

**AUDITORS' REPORT
CONNECTICUT AIRPORT AUTHORITY
FISCAL YEARS ENDED JUNE 30, 2020 AND 2021**

We have audited certain operations of the Connecticut Airport Authority in fulfillment of our duties under Sections 1-122, 2-90, and 15-120kk of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2020 and 2021. The objectives of our audit were to evaluate:

1. The authority's significant internal controls over compliance and its compliance with policies and procedures internal to the authority or promulgated by other state agencies, as well as certain legal provisions, including as applicable, but not limited to whether the authority has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds and the distribution of loans, grants and other financial assistance;
2. The authority's internal controls over certain financial and management functions; and
3. The effectiveness, economy, efficiency, and equity 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 was 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 authority's information systems and was not subjected to the procedures applied in our audit of the authority. For the areas audited, we did not identify:

1. Apparent noncompliance with laws, regulations, contracts and grant agreements, policies, and procedures;
2. Deficiencies in internal controls; and
3. A need for improvement 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 Annual Comprehensive 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 three serve as ex-officio members and eight are appointed members.

Members of the board as of June 30, 2021, were as follows:

Ex-Officio Members:

Joseph J. Giulietti, Commissioner, Department of Transportation

David A. Lehman, Commissioner, Department of Economic and Community Development

Shawn T. Wooden, State Treasurer

Appointed Members:

Robert J. Aaronson

Mishone B. Donelson

J. Scott Guilmartin

Mary Ellen S. Jones

Matthew J. Kelly

Sebastian M. Lombardi

Michael T. Long, Vice Chair

Thomas A. (Tony) Sheridan, Chair

Other persons serving during the audited period include:

Brett C. Browchuck

Karen M. Jarmoc

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 21-175**, effective December 1, 2021, updated a provision on state police security services at Bradley International Airport. The act updated agency references to the CAA and the Department of Emergency Services and Public Protection (DESPP); required CAA to enter into a contract, rather than a memorandum of understanding, for these

security services; extended the date by which they must enter into the contract to December 1, 2021; and required payments under the contract to be made in compliance with all applicable federal laws, regulations, and guidelines.

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 (BDL) Fund to account for the operations of Bradley International Airport, and (2) the General Aviation Airport Enterprise Fund to account for the state's five general aviation airports.

CAA was contractually required to report on Bradley International Airport's revenues from surface parking lots, garage, and related bonds in a separate enterprise fund of the state. Accordingly, the assets and liabilities of the Bradley International Airport Parking Facility Fund (Bradley Parking Fund) were not reported in the CAA financial statements prior to July 1, 2020. Effective May 31, 2020, CAA was no longer required to separately report these revenues. As a result, CAA management concluded that the Bradley Parking Fund would be included in the Bradley International Airport Fund and reported in CAA's financial statements, effective July 1, 2020, and the net position as of June 30, 2020, increased by \$17,931,921 from \$356,453,009 to \$374,384,930.

The financial position of CAA as of June 30, 2020 and 2021, per its audited financial statements, is presented as follows:

Statement of Net Position

	June 30, 2020	June 30, 2021
Assets		
Current Assets		
Cash	\$ 5,827,695	\$ 6,786,006
Short-term Investments	101,046,789	121,393,621
Current portion of restricted investments	6,754,808	6,738,813
Accounts Receivable	8,689,860	6,271,638
Due from State	5,817,272	6,356,890
Grants Receivable	6,231,335	14,814,819
Prepaid Expenses and Other	45,124	890,218
Total Current Assets	134,412,883	163,252,005

Noncurrent Assets		
Restricted Assets:		
Cash	0	22
Investments	243,859,930	149,436,775
Accounts Receivable	388,282	2,624,100
Interest Receivable	69,165	4,458
Capital Assets		
Assets not Subject to Depreciation	107,878,104	204,531,575
Assets Subject to Depreciation - Net	291,268,735	299,394,352
Total Noncurrent Assets	643,464,216	655,991,282
Total Assets	777,877,099	819,243,287
Deferred Outflows of Resources		
Interest Rate Swaps	17,369,945	12,672,249
Deferred Loss on Bond Refunding	1,383,875	1,260,863
Deferred Cost of Bond Issuance – Net	0	0
Other deferred costs - Net	43,322	39,712
Deferred Pension costs	24,328,112	18,916,170
Deferred OPEB Cost	26,921,810	27,520,908
Total Deferred Outflows of Resources	70,047,064	60,409,902
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities	24,777,160	35,394,861
Unearned revenue and other	1,046,853	7,008,575
Due to the State	3,869,482	2,637,910
Payables from restricted assets:		
Current portion of revenue bonds payable	7,815,000	8,130,000
Revenue bond interest payable	3,937,243	3,880,852
Total Current Liabilities	41,445,738	57,052,198
Noncurrent Liabilities		
Net pension liability	86,055,088	81,429,776
Net OPEB liability	97,371,562	95,168,392
Revenue bonds payable – Net of current portion	241,072,527	232,832,440
Interest rate swap	17,369,945	12,672,249
Total Noncurrent Liabilities	441,869,122	422,102,857
Total Liabilities	483,314,860	479,155,055
Deferred Inflow of Resources		
Deferred Pension Cost Reductions	1,564,910	5,983,596
Deferred OPEB Cost Reductions	6,591,384	14,946,129
Total Deferred Inflow of Resources	8,156,294	20,929,725
Net Position		
Net Investments in Capital Assets	253,743,944	291,325,459
Restricted for:		
Capital Projects	136,902,413	118,386,236
Debt Service	9,914,976	11,214,377
Bond Indenture Requirements	2,196,668	2,142,077
Unrestricted	(46,304,992)	(43,499,740)
Total Net Position per Audited Financial Statements	356,453,009	379,568,409
Change in Reporting Entity	17,931,921	
Restated Net Position	374,384,930	

Statement of Revenue, Expenses, and Changes in Net Position

	June 30, 2020	June 30, 2021
Operating Revenues		
Landing Fees	\$ 19,703,481	\$ 11,995,083
Airline Terminal Rent	11,872,671	9,171,598
Apron and Remote Aircraft Parking	5,057,797	3,113,388
Auto Parking	9,144,304	8,938,970
Rental Cars	7,692,790	5,850,083
Terminal Concessions	4,013,177	2,632,763
Land Rent	7,729,391	8,270,267
Other Concessions	4,279,968	1,989,166
Other Operating Revenue	3,982,773	3,548,307
Total Operating Revenues	73,476,352	55,509,625
Operating Expenses		
Salaries and Related Expenses	28,011,734	27,612,987
Administrative and General	19,640,632	19,491,291
Utilities	5,205,558	5,515,932
Repairs and Maintenance	7,566,260	7,547,159
Depreciation and Amortization	24,735,767	25,001,125
Total Operating Expense	85,159,951	85,168,494
Operating Income (Loss)	(11,683,599)	(29,658,869)
Nonoperating Revenues (Expenses)		
Car Rental Facility Charge Revenue	13,225,160	5,628,131
Passenger Facility Charge Revenue	10,099,435	6,358,796
Investment Income	2,009,470	138,585
Federal Grant Revenue	355,000	36,888,462
Aviation Fuel Tax Revenue	3,899,700	3,273,127
Revenue Bond Interest Expense	(9,994,693)	(9,511,955)
Other Nonoperating (Expenses) Income	(14,435,576)	(2,253,637)
Airline Net Revenue Share Expense	(1,541,739)	0
Noncash Pension and OPEB Actuarial Adjustments	(12,295,330)	(10,757,791)
Net Nonoperating Revenues (Expenses)	(8,678,576)	29,763,718
Income (Loss) Before Capital Contributions	(20,362,175)	104,849
Capital Contributions	18,062,474	5,078,630
Change in Net Position	(2,299,701)	5,183,479
Total Net Position, Beginning of Year	358,752,710	374,384,930
Change in Reporting Entity	17,931,921	0
Total Net Position, End of Year	\$ 374,384,930	\$ 379,568,409

Operating revenues from the 2020-2021 fiscal year totaled \$55,509,625, a decrease of \$17,966,727 from the previous year. The significant reduction in revenue is attributable to the decrease in travel because of the COVID-19 pandemic. Operating revenues consisted of airline and non-airline sources. The airlines pay rates and charges based on budgeted operating expenditures and debt services allocated to airline cost centers including the landing area, terminal building, and aircraft parking aprons. Non-airline revenues consisted of various concessions including parking, rental cars, food and beverage, retail, and advertising.

Operating expenses for the 2020-2021 fiscal year totaled \$85,168,494, an increase of \$8,543 from the previous year. Operating expenses consisted of salaries, contractual services, utilities, maintenance, and depreciation.

Nonoperating revenues and expenses consisted of Bradley's passenger Facility Charges, Car Rental Facility Charges, Investment Income, Federal Grant Revenue, Aviation Fuel Tax Revenue, Bond Interest Expense, and other expenses.

The Other (Expenses) Income line was \$14,435,576 in the 2019-2020 fiscal year and \$2,253,637 in the 2020-2021 fiscal year, a difference of \$12,181,939. This difference is attributable to a one-time \$7,000,000 expense recognition for capital projects incurred on a state-owned roadway in the 2019-2020 fiscal year, and a decrease in bond-interest expenses in the 2020-2021 fiscal year. Nonoperating revenues were higher in the 2020-2021 fiscal year than the previous year by \$38,442,294. This is due to the large amount of COVID-19 related federal grant revenue. Overall, expenses remained constant compared to the prior year.

On March 31, 2011, Bradley International Airport Revenue Refunding Bonds Series 2011A and 2011B were issued in the amount of \$91,430,000 and \$60,950,000, respectively, to retire \$161,445,000 of outstanding 2001A bonds. The aggregate principal and interest payments of the Series 2011A and 2011B bonds total \$228,421,866, replacing the aggregate principal and interest payments of \$258,238,749 on the refunded bonds, generating an economic gain of \$7,569,810. The transaction resulted in a deferred accounting loss of \$30,753 which BDL is amortizing over the life of the refunded debt.

As of June 30, 2021, the outstanding principal balances on the series 2011A and 2011B bonds were \$52,070,000 and \$34,710,000, respectively. The 2011 bonds are secured by and payable solely from operating revenues generated by BDL from the operation of Bradley International Airport and other receipts, funds, or money pledged in the bond indenture, including a portion of Bradley's passenger facility charges revenue.

On April 9, 2019, CAA issued Connecticut Airport Authority Customer Facility Charge Revenue Bonds Series 2019A and 2019B of \$35,410,000 and \$115,690,000, respectively, to fund the construction of a Ground Transportation Center at Bradley International Airport. The transaction resulted in a deferred accounting gain of \$3,330,136, which CAA is amortizing over the life of the debt. Interest is charged at a graduating rate from 2.8% to 5.0%. As of June 30, 2021, the aggregate principal and interest payments of the Series 2019A and 2019B bonds total \$277,717,133.

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. CAA did not issue any new bonds during the audited period.

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 internal control over financial reporting and compliance. The reports on internal control over financial reporting disclosed no deficiencies in internal control that were considered to be material weaknesses. The reports on compliance with certain laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance.

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:

Our 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
Jacob Rocco
Patrick Tierney




Jacob Rocco
Auditor II

Approved:



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor