

**CONNECTICUT AIRPORT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF CONNECTICUT)**

FINANCIAL STATEMENTS

JUNE 30, 2015

CONNECTICUT AIRPORT AUTHORITY CONTENTS

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Independent Auditors' Report

Ms. Mary Ellen S. Jones, Chair
Connecticut Airport Authority
Windsor Locks, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Connecticut Airport Authority (the Authority) (a component unit of the State of Connecticut), which comprise the balance sheet as of June 30, 2015 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2015 and changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 23 and the schedules of net pension liability and contributions on pages 44 to 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The comparative financial statements of the Bradley International Airport Fund and the combining financial statements of the General Aviation Airports Fund and the schedules of passenger facility charge expenditures and insurance coverage of Bradley International Airport are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of passenger facility charge expenditures - Bradley International Airport is presented for purposes of additional analysis as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. The schedule of insurance coverage is presented for purposes of additional analysis as required by the Bond Indenture. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The comparative statements of the Bradley International Airport fund, the combining statements of the General Aviation Airports Fund and the schedule of passenger facility charge expenditures - Bradley International Airport have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative statements of the Bradley International Airport fund, combining statements of the General Aviation Airports Fund and schedule of passenger facility charge expenditures - Bradley International Airport are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of insurance coverage - Bradley International Airport has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Authority as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated October 27, 2014, which contained unmodified opinions on the financial statements of each fund. The accompanying Bradley International Airport Fund and General Aviation Airports Fund balance sheets and statements of revenues, expenses and changes in net position as of and for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2014 financial statements. The accompanying Bradley International Airport Fund and General Aviation Airports Fund statements have been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Bradley International Airport Fund and General Aviation Airports Fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the Authority adopted GASB Statement No. 68 - *Accounting and Financial Reporting by Pensions - An Amendment of GASB Statement No. 27*. The Authority's net assets as of July 1, 2014 have been restated as required to implement this accounting standard as discussed in Note 15. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 19, 2015 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 19, 2015

CONNECTICUT AIRPORT AUTHORITY
JUNE 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Connecticut Airport Authority's (the Authority) financial performance provides an overview for the year ended June 30, 2015. Please read it in conjunction with the Authority's financial statements that follow this section. The MD&A is intended to provide meaningful information to the reader for the current year, thereby enhancing the reader's understanding of the Authority's financial position and the results of its operations.

As discussed in Note 1 to the financial statements, the Authority was established on July 1, 2011 but had no significant transactions until July 1, 2013, at which time the assets and liabilities of Bradley International Airport (Bradley) and the State of Connecticut's general aviation airports were contributed to the Authority. Bradley International Airport was previously reported as a stand-alone enterprise fund, and the General Aviation Airports were accounted for in the governmental funds of the Connecticut Department of Transportation. Public Act 11-84 required the establishment of the Bradley International Airport fund to account for the operations of Bradley and the General Aviation Airports fund to account for the operations of the five general aviation airports under the control of the Authority.

Enterprise Fund Financial Statements

An enterprise fund is used to present governmental activities where a fee is charged to external customers for goods that are sold or services that are rendered. Usually these activities are financed by debt that is secured solely by a pledge of the operating revenues of that activity.

The Authority's financial statements consist of a Balance Sheet, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. The financial statements utilize the economic resources measurement focus and the accrual basis of accounting, thus providing the foundation for generally accepted accounting principles that are used in private-sector business reporting. This means that all assets and liabilities associated with the operation of the Authority are included on the balance sheet, and that revenues and expenses are recognized when earned and incurred, respectively, on the statement of revenues, expenses and changes in net position.

Net position is presented in three components (i) net investment in capital assets, (ii) restricted, and (iii) unrestricted. Net position categorized as net investment in capital assets consists of all significant capital assets owned by the Authority, net of accumulated depreciation, and reduced by any outstanding balances of bonds or other debt related to the acquisition, construction or improvement of those assets. Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations that have an initial useful life beyond one year. Capital assets are depreciated over their useful lives and periodic depreciation expense is reported in the statement of revenues, expenses and changes in net position. Net position is reported as restricted when constraints are placed on those assets by creditors, grantors, laws or imposed by law through constitutional provisions or enabling legislation. The restrictions in place at Bradley originate from indentures of trust associated with the sale of its airport revenue bonds, and regulations associated with its use of Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs).

The Statement of Revenues, Expenses and Changes in Net Position reports the operating revenues and expenses and non-operating revenue and expenses of the Authority for the fiscal year with the difference - the net income or loss - being combined with any capital contributions to determine the change in net position. That change, combined with the prior year-end net position total, reconciles to the net position total at the end of the current fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash balance at the end of the current fiscal year.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is important to understanding the information included in the financial statements.

Supplemental Information

Supplemental information includes prior year comparative financial statements for both the Bradley International Airport fund and the General Aviation Airports fund, a Schedule of Passenger Facility Charge Expenditures and a Schedule of Insurance Coverage, which are required by the Federal Aviation Administration and Bond indentures respectively.

Required Additional Reports

Required additional reports include an Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* and an Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on the Passenger Facility Charge Program and on Internal Control Over Compliance.

FINANCIAL HIGHLIGHTS - BRADLEY INTERNATIONAL AIRPORT FUND

Unless otherwise stated, all values presented in the following MD&A are in thousands with the exception of various per passenger ratios presented

In FY 2015, Bradley financially outperformed budget expectations. Total operating revenue was 2.0% greater than budget while operating & maintenance expenses excluding depreciation were 5.8% less than budget. Compared to FY 2014, total operating revenue increased 3.5% to \$64.5 million while total operating expenses before depreciation increased 3.2% to \$49.2 million. Income before depreciation increased 4.5% to \$15.3 million. Net non-operating revenue (expense) experienced a 114.2% decrease in FY 2015. Total net position for Bradley decreased by \$41.8 million primarily due to the implementation of GASB 68 - *Accounting and Financial Reporting by Pensions*. \$45.5 million of the decrease in net position relates to a prior period adjustment to reflect implementing GASB 68. At year end, net position totaled \$267.2 million, a 1.4% increase after taking into account the effect of the prior period adjustment. Total assets increased by \$5.3 million or 1.1% and total liabilities increased by \$45.5 million or 27.2% once again due to the implementation of GASB 68. Bradley generated debt service coverage of 271.6%, which is well above the 120.0% required by bond indenture.

An increase in passenger traffic was again realized in FY 2015 for the second straight year. These consecutive year passenger traffic increases are following a period of decline in passenger demand brought about by economic recession, rising jet fuel prices and declining airline capacity. In FY 2014, enplanements increased 7.2% over the prior year and in FY 15 enplanements increased an additional 4.4% compared to FY 2014. These positive trends in passenger activity are a result of the Authority's efforts to grow new Airline routes as well as from an overall improvement in the economy.

As previously noted, the implementation of GASB Statement No. 68 - *Accounting and Financial Reporting by Pensions*, is an important change to the Authority's financial statements. The standard requires reporting of the entire unfunded liability of defined benefit pension plans. As a component unit of the State of Connecticut, the Authority must represent its proportional share of Net Pension Liability on its financial statements. Net Pension Liability is defined as the actuarial present value of projected pension benefits attributable to past periods of employee service (total pension liability) net of the pension plan's fiduciary net position. Implementation of the standard required a restatement of July 1, 2014 net position, as described in Note 15 to the financial statements. This prior period adjustment reduced Bradley's starting net position by \$45.5 million. In addition, Bradley Airport's balance sheet now carries a \$47.6 million Net Pension Liability as of June 30th, 2015. The recognition of this liability is a non-cash event and at this time it is not anticipated that the Authority will need to make any payments to the State of CT pension system to relieve this obligation. The implementation of GASB 68 is discussed further in the notes to the financial statements.

Net Position

The net position of Bradley is summarized in Table 1. Net position is a measurement of the financial condition of Bradley at one point in time. As indicated in Table 1, Bradley Airport's net position increased by \$3,692 in fiscal year 2015 (excluding the restatement driven by GASB 68 implementation). This is the result of an increase in total assets of \$5,347 and an increase in total liabilities of \$45,458. The increase in total liabilities was a result of recording \$47.6 million of Net Pension Liability partially offset by reductions in long-term debt outstanding. Included in Table 1 pursuant to GASB reporting guidelines are the fair values at June 30, 2015 of Bradley's interest rate swap agreements. These swap agreements have been determined to be effective hedges. See notes 1 and 6 in the Notes of Financial Statements.

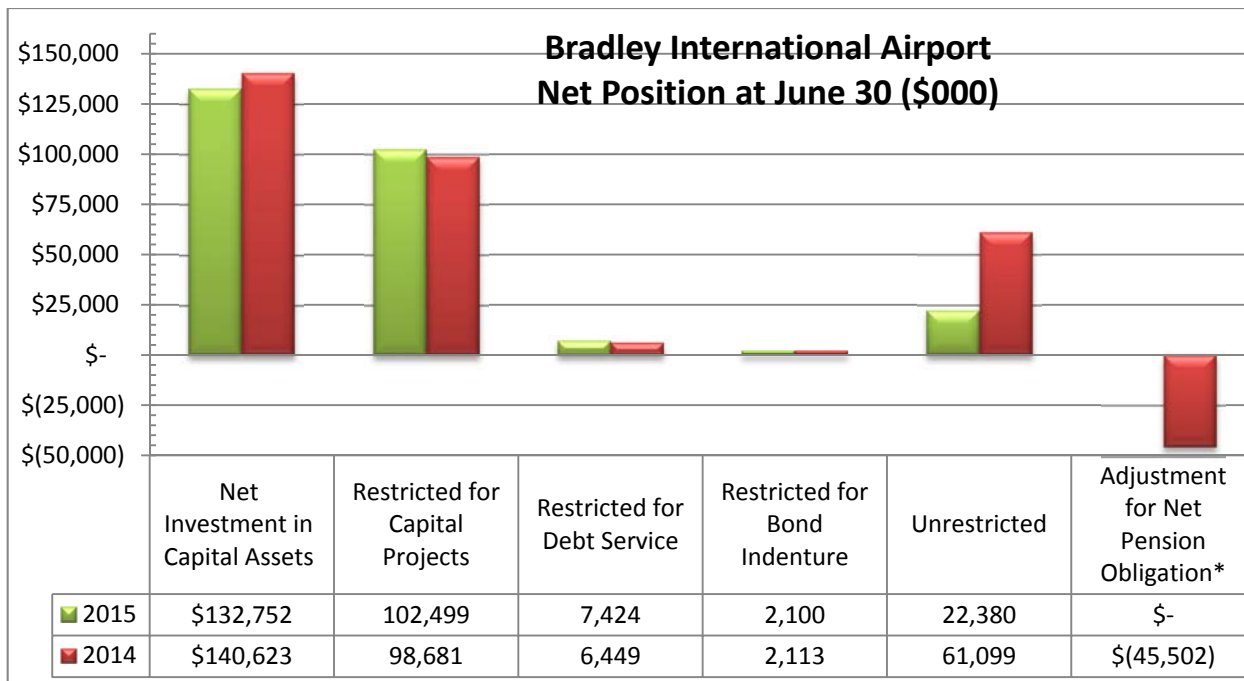
Table 1 also indicates that Bradley's assets exceeded its liabilities by \$267,155 as of June 30, 2015. This net position includes \$132,752 invested in capital assets net of related debt (a decrease of 5.6%), assets restricted for PFC and bond indenture purposes of \$112,023 (an increase of 4.5%) and unrestricted assets of \$22,380 (a decrease of 63.4%).

As of June 30, 2015, total revenue bonds payable less current maturities of \$122,980 equate to \$41.43 per enplaned passenger based on fiscal year 2015 enplaned passengers of 2,969, a 9.0% decrease from FY 2014 bonds payable of \$45.50 per enplaned passenger.

TABLE 1
BALANCE SHEET
JUNE 30, 2015 AND 2014
(In thousands)

| | 2015 | 2014 | 2015 - 2014 | |
|--|-------------------|-------------------|------------------|--------------|
| | | | Change (\$) | Change (%) |
| ASSETS | | | | |
| Current and Other Assets | \$ 193,834 | \$ 178,997 | \$ 14,837 | 8.3% |
| Net Capital Assets | 266,314 | 275,325 | (9,011) | -3.3% |
| TOTAL ASSETS | 460,148 | 454,322 | 5,826 | 1.3% |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Interest Rate Swap | 19,290 | 19,646 | (356) | -1.8% |
| Deferred Loss on Bond refunding | 1,999 | 2,122 | (123) | -5.8% |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 481,437 | \$ 476,090 | \$ 5,347 | -7.6% |
| LIABILITIES | | | | |
| Long-term Debt Outstanding | 122,980 | 129,415 | (6,435) | -5.0% |
| Other Liabilities | 22,737 | 18,064 | 4,673 | 25.9% |
| Interest Rate Swap | 19,290 | 19,646 | (356) | -1.8% |
| Net Pension Liability | 47,576 | - | 47,576 | 100.0% |
| TOTAL LIABILITIES | 212,583 | 167,125 | 45,458 | 27.2% |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Change in Projected Pension Investment Earnings | 1,699 | - | 1,699 | 100.0% |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 214,282 | 167,125 | 47,157 | 28.2% |
| NET POSITION | | | | |
| Net Investments in Capital Assets | 132,752 | 140,623 | (7,871) | -5.6% |
| Restricted | 112,023 | 107,243 | 4,780 | 4.5% |
| Unrestricted | 22,380 | 61,099 | (38,719) | -63.4% |
| Adjustment for Net Pension Obligation* | - | (45,502) | 45,502 | -100.0% |
| Total Net Position | 267,155 | 263,463 | 3,692 | 1.4% |
| Total Liabilities and Net Position | \$ 481,437 | \$ 430,588 | \$ 50,849 | 11.8% |
| Net Position at June 30 | | | | |
| Net Investment in Capital Assets | \$ 132,752 | \$ 140,623 | \$ (7,871) | -5.6% |
| Restricted for Capital Projects | 102,499 | 98,681 | 3,818 | 3.9% |
| Restricted for Debt Service | 7,424 | 6,449 | 975 | 15.1% |
| Restricted for Bond Indenture | 2,100 | 2,113 | (13) | -0.6% |
| Unrestricted | 22,380 | 61,099 | (38,719) | -63.4% |
| Adjustment for Net Pension Obligation* | - | (45,502) | 45,502 | -100.0% |
| Total Net Position* | \$ 267,155 | \$ 263,463 | \$ 3,692 | 1.4% |

* Fiscal year 2014 Net Position is restated in order to reflect the Authority's Net Pension Liability in conjunction with the implementation of GASB 68



Changes in Net Position

The decrease in net position shown on Table 1 was generated from the change in net position shown on Table 2, Changes in Net Position for the Year Ended June 30, 2015. Changes in net position represent the results of operations of Bradley. The change in net position for FY 2015 is \$3,692 compared to the restated change in net position in FY 2014 of \$308,965 (excluding the prior period adjustment for GASB 68). The large difference between the two years is due to the transition of the Bradley Airport Enterprise Fund from the Department of Transportation to the Connecticut Airport Authority on July 1, 2013. \$299,940 of the \$308,965 was reflective of the contribution of the Enterprise Fund by the State to the Authority. Overall for FY 2015 total net position decreased by \$41,810 or 13.5%. This decrease was largely due to the implementation of GASB Statement No. 68 as stated in Note 1.

The decrease in operating loss is attributed to an increase in operating revenue partially netted down by increases in operating expenses related to administrative and general, repairs and maintenance along with utilities. The decrease in depreciation and amortization is primarily related to the implementation of GASB Statement No. 65 in FY 2014, which resulted in major studies no longer being amortized but expensed. This also affected the net non-operating revenue. The net non-operating revenue (expense) reflects an increase of \$4,989 in non-operating expenses, which is attributable to the implementation of GASB 65. Capital project costs for planning and studies that were previously amortized are now expensed.

TABLE 2
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(In Thousands)

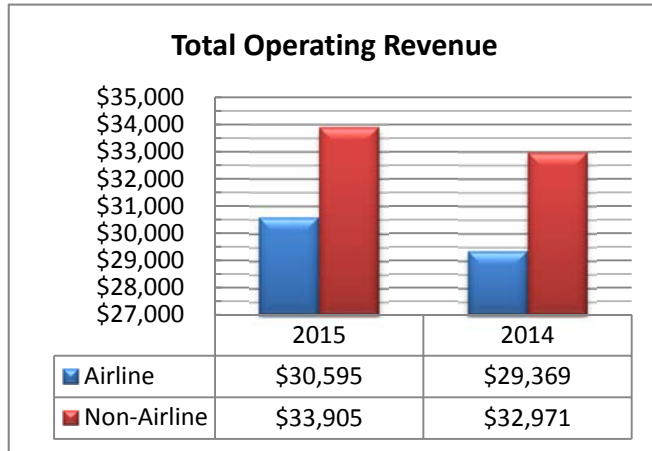
| | 2015 | 2014 | 2015 - 2014 | |
|---|------------------|------------------|--------------------|----------------|
| | | | Change (\$) | Change (%) |
| OPERATING REVENUES | | | | |
| Landing Fees | \$ 16,760 | \$ 15,759 | \$ 1,001 | 6.4% |
| Airline Terminal Rent | 10,021 | 9,938 | 83 | 0.8% |
| Apron and Remote Aircraft Parking | 3,814 | 3,672 | 142 | 3.9% |
| Auto Parking | 10,928 | 10,703 | 225 | 2.1% |
| Rental Cars | 8,783 | 8,695 | 88 | 1.0% |
| Terminal Concessions | 4,001 | 3,946 | 55 | 1.4% |
| Land Rent | 4,411 | 4,052 | 359 | 8.9% |
| Other Concessions | 3,272 | 3,271 | 1 | 0.0% |
| Other Operating Revenue | 2,510 | 2,304 | 206 | 8.9% |
| TOTAL OPERATING REVENUES | 64,500 | 62,340 | 2,160 | 3.5% |
| OPERATING EXPENSES | | | | |
| Salaries and Related Expenses | 19,981 | 20,221 | (240) | -1.2% |
| Administrative and General | 15,923 | 15,148 | 775 | 5.1% |
| Repairs and Maintenance | 7,388 | 6,738 | 650 | 9.6% |
| Energy and utilities | 5,875 | 5,554 | 321 | 5.8% |
| OPER EXPENSE BEFORE DEPRECIATION | 49,167 | 47,661 | 1,506 | 3.2% |
| OPER INCOME BEFORE DEPRECIATION | 15,333 | 14,679 | 654 | 4.5% |
| Depreciation and Amortization | 15,817 | 16,426 | (609) | -3.7% |
| OPERATING LOSS | (484) | (1,747) | 1,263 | -72.3% |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Car Rental Facility Charge Revenue | 5,515 | 5,191 | 324 | 6.2% |
| Passenger Facility Charge Revenue | 12,248 | 11,738 | 510 | 4.3% |
| Investment Income | 121 | 103 | 18 | 17.5% |
| Revenue Bond Interest Expense | (5,028) | (5,930) | 902 | -15.2% |
| Other Non-Operating Expenses | (9,955) | (4,966) | (4,989) | 100.5% |
| Actuarial Pension Expense | (3,773) | - | (3,773) | -100.0% |
| NET NONOPERATING REVENUES (EXPENSE) | (872) | 6,136 | (7,008) | -114.2% |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | (1,356) | 4,389 | (5,745) | -130.9% |
| CAPITAL CONTRIBUTIONS | 5,048 | 304,576 | (299,528) | -98.3% |
| Change in Net Position | 3,692 | 308,965 | (305,273) | -98.8% |
| Total Net Position, Beginning of Year (as restated) | 263,463 | - | 263,463 | 100.0% |
| Total Net Position, End of Year | \$267,155 | \$308,965 | \$ (41,810) | -13.5% |

BRADLEY INCOME

As indicated on Table 2, Bradley generated operating income before depreciation of \$15,333 and increased its net position by \$3,692 in fiscal year 2015. The operating and non-operating revenues and expenditures associated with this income are addressed below.

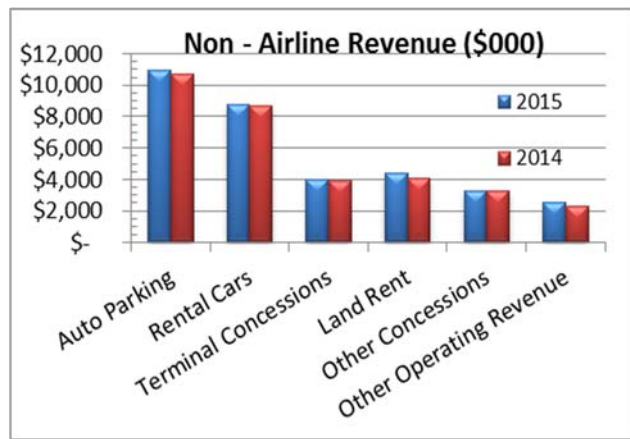
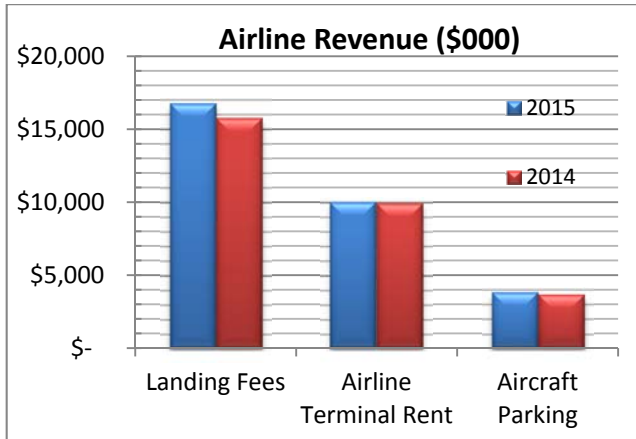
Operating Revenues

Operating revenues for fiscal year 2015 totaled \$64,500, an increase of \$2,160 or 3.5% from fiscal year 2014. Operating revenues are segregated between airline and non-airline sources. Airline revenues were \$30,595 or 47.4% of total operating revenue, and non-airline revenues were \$33,905 or 52.6% of total operating revenue as shown at right and in greater detail below.



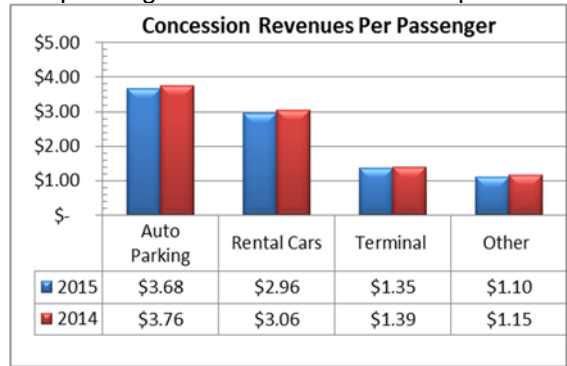
Airline revenues increased by \$1,226 or 4.2% from FY 2014 to FY 2015. The airlines pay rates and charges based on budgeted operating expenditures and debt service allocated to airline cost centers including the landing area, terminal building and aircraft parking aprons.

The FY 2015 operating expense budget of \$52,183 reflected a 5.7% increase in operating expenses over the FY 2014 operating budget, which was appropriately reflected in budgeted airline rates and charges. There were also credits applied to the airline cost centers in the FY 2015 budget, made to compensate the airlines for prior budget to actual performance, which totaled \$1,641. In addition to these annual adjustments, the Authority provided a one-time credit to airline cost centers in the amount of \$2,020 intended to maintain competitive airline rates and charges at the Airport.



Deducting cargo airline landing fees of \$3,266 from total airline revenue of \$30,595 results in passenger airline revenue of \$27,329. This equates to a fiscal year 2015 Cost per Enplaned Passenger (CPE) of \$9.20 based on fiscal year 2015 enplaned passengers of 2,969, a 0.5% decrease from the FY 2014 CPE of \$9.25.

Total non-airline revenues increased by \$935 or 2.8% from FY 2014. Non-airline revenues are made up of the various concessions operating at the Airport, land rent and other operating revenue. Concession operations include auto parking, rental cars, terminal concessions and other concessions, which combine for total revenue of \$26,984. The largest source of concession revenue is vehicle parking operations, which totaled \$10,928. Terminal concessions include food and beverage, retail, advertising and miscellaneous services provided in the terminal. Other concessions include in-flight food catering, the Sheraton Hotel located in the terminal, ground transportation services and others.



Total concession revenue of \$26,984 equates to \$9.09 per enplaned passenger based on fiscal year 2015 enplaned passengers of 2,969, a 2.9% decrease from FY 2014 concession revenue per enplaned passenger of \$9.36. The division of revenues per passenger among the various concessions is shown above.

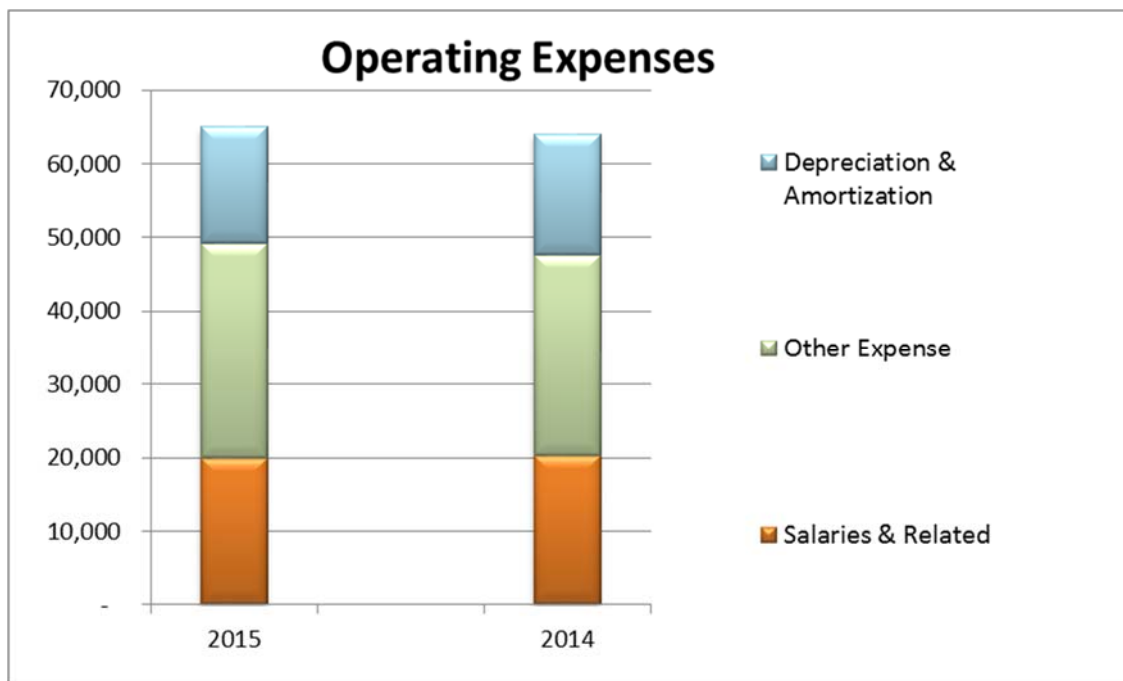
Operating Expenses

Operating expenses in fiscal year 2015 totaled \$64,984, an increase of \$895 or 1.4% from fiscal year 2014. Operating expenses include salaries and related expenses, contractual services, energy and utilities, other operating expenses and depreciation. The distribution and comparison of fiscal year 2014 and 2015 operating expenses is shown in Table 3.

As indicated on Table 3, an increase in salaries and overtime along with increases in all other expense categories with the exception of payment in lieu of taxes are offset by decreases in other payroll, fringe benefit and indirect cost. In addition there is a decrease in depreciation and amortization. The overall decrease in the salary related classes is mainly due to the indirect cost allocation that was paid to the State in FY 2014 based on the amount expensed in salaries and wages. For FY 2015 the cost paid directly to the Department of Transportation for services provided was based on the actual expense incurred. This is now included within the administrative and general costs. In addition the Authority experienced a decrease in other payroll. This was due to the treatment of vacation and sick leave payout at retirement for those employees hired under the CAA. In the other expense category there were slight increases in all categories totaling \$1,747. The majority of this increase was in security and repairs and maintenance. Depreciation and amortization decreased due to the implementation of GASB 65 where planning studies are no longer amortized but rather expensed as incurred.

TABLE 3
OPERATING EXPENSES
JUNE 30, 2015 and 2014
(In thousands)

| | Change 2015 - 2014 | | | |
|-------------------------------------|---------------------------|------------------|--------------------|-------------------|
| | 2015 | 2014 | Change (\$) | Change (%) |
| Salaries & Related | | | | |
| Salaries | \$ 9,568 | \$ 9,078 | \$ 490 | 5.4% |
| Overtime | 1,392 | 1,108 | 284 | 25.6% |
| Other Payroll | (18) | 554 | (572) | -103.2% |
| Fringe Benefit | 9,039 | 9,048 | (9) | -0.1% |
| Indir. Cost Alloc. | - | 433 | (433) | -100.0% |
| Salaries & Related | 19,981 | 20,221 | (240) | -1.2% |
| Other Expense | | | | |
| Payment In Lieu of Tax | 4,679 | 4,679 | - | 0.0% |
| Security | 7,188 | 6,574 | 614 | 9.3% |
| Administrative & General Costs | 4,057 | 3,858 | 199 | 5.2% |
| Repairs and Maintenance | 7,387 | 6,774 | 613 | 9.0% |
| Energy/Utilities | 5,875 | 5,554 | 321 | 5.8% |
| Other Expense | 29,186 | 27,439 | 1,747 | 6.4% |
| Expenses Before Depreciation | 49,167 | 47,660 | 1,507 | 3.2% |
| Depreciation & Amortization | 15,817 | 16,426 | (609) | -3.7% |
| Total Operating Expenses | \$ 64,984 | \$ 64,086 | \$ 898 | 1.4% |



Net Non-operating Revenue (Expense)

Non-operating revenues and (expenses) include Bradley's Passenger Facility Charges (PFCs), customer facility charges (CFCs), investment income, revenue bond interest expense and other non-operating expenses. Other non-operating expenses are predominantly reflective of capital improvement project costs that must be expensed versus capitalized as an asset. Bradley is presently authorized by the FAA to assess a PFC of \$4.50 per enplaned passenger. The revenue associated with this charge is restricted for approved capital projects, and currently supports debt service incurred for eligible components of the terminal expansion and improvement program as well as certain "pay as you go" projects. In fiscal year 2015, Bradley collected total PFCs (excluding PFC interest) of \$12,142, an increase of 4.3% from FY 2014. This increase is reflective of the increase in passenger traffic at Bradley. Bradley is also presently authorized by contract with the rental car companies to assess a CFC of \$3.50 per rental car transaction day. The revenue associated with this charge is recognized according to criteria established by bond indenture and subsequently transferred to a project account dedicated to design, engineering and construction of a consolidated rental car facility at Bradley. CFC collections commenced December 2009 and revenues for fiscal year 2015 totaled \$5,478 (excluding interest), an increase of 6.1%. Investment income from all accounts totaled \$266, a 17.4% increase from FY 2014 investment income of \$224. Investments and invested balances are addressed in Note 2 to the financial statements. Investment earnings on certain accounts are restricted for the purposes of the account as discussed in the notes to financial statements. Revenue bond interest expense for FY 2015 totaled \$5,028 a decrease of 15.2%. Other non-operating expense shows a 100.5% increase mainly due to the implementation of GASB 65 in FY 2014 in which planning and studies are no longer amortized as well as increased project costs for the demolition of Terminal B that must be expensed. Bradley had \$9,955 of other non-operating expense. In addition, the actuarial pension expense mentioned earlier in regards to GASB 68 is included here. The addition of the actuarial pension expense along with non-operating expenses, changes in PFC revenue, CFC revenue, investment income and bond interest expense resulted in the \$7,008 decrease in total net non-operating revenue (expense) as shown on Table 2. Net non-operating revenue of (\$872) and the operating loss of \$484 combined in FY 2015 for a net loss before capital contributions of (\$1,356).

CAPITAL CONTRIBUTIONS

Total capital contributions in FY 2015 were \$5,048, a significant decrease of \$299,527 from FY 2014 capital contributions of \$304,575. FY 2014 was significantly higher due to the transfer of the Bradley Enterprise Fund from the Department of Transportation to the Authority.

The primary source of FY 2015 contributed capital is from the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP). Under the AIP program, the FAA provides grants that are available for eligible, approved projects within the funding limitations of the program, which requires certain matching contributions to be made by the Airport. In FY 2015 additional contributed capital was made available through the US Department of Homeland Security for installation of Security equipment. Projects and capital contributions are summarized below.

| Capital Contributions (\$000) | 2015 | 2014 | 2015 - 2014 | |
|--------------------------------------|----------------|-------------------|---------------------|-------------------|
| | | | Change (\$) | Change (%) |
| Terminal Demolition / Redevelopment | \$ 8 | \$ 17 | \$ (9) | -52.9% |
| Planning Studies | 49 | - | 49 | 100.0% |
| Sound Insulation Program | 3 | 3,256 | (3,253) | -99.9% |
| Land Acquisition / Bird Habitat | 2,106 | - | 2,106 | 100.0% |
| Taxiways | 2,471 | 1,086 | 1,385 | 127.5% |
| New Building | 261 | - | 261 | 100.0% |
| Security Equipment | 12 | 276 | (264) | -95.7% |
| Contribution From State | 138 | 299,940 | (299,802) | -100.0% |
| Total | \$5,048 | \$ 304,575 | \$ (299,527) | -98.3% |

BUDGET TO ACTUAL PERFORMANCE

Bradley's annual operating budget for FY 2015 was developed pursuant to procedures established in applicable State regulations and the Short Term Lease and Operating Agreement between the State and the signatory airlines serving Bradley. These procedures provide for preparation of the budget, submission to and approval of the budget by the Authority's Board of Directors and the airlines within a prescribed period prior to the beginning of each fiscal year, and for dispute resolution. The operating budget includes airline and non-airline revenues, passenger facility charges, operating and maintenance expenses, expenditure allocation to Bradley cost centers including the landing, apron, terminal and other cost centers, and development of the rates and charges that will be paid by the airlines during the ensuing fiscal year. As part of the rate development process, prior budget to actual cost allocations are analyzed and appropriate adjustments are made. Budget to actual performance for FY 2015 is shown in Table 4.

Airline revenues were slightly higher than budget. A positive variance was experienced in landing fees, FIS building revenue and airline addition revenue. Non-airline revenues were 3.9% greater than budget. As with airline revenues, a positive variance was experienced in all categories of non-airline revenues with the exception of auto parking, which was equal to budget. Overall, total operating revenue was 2.0% greater than budget. PFCs and related interest were 9.0% greater than budget due to higher than forecasted passenger demand. Total operating expenses before depreciation were 5.8% under budget with surpluses realized in all categories of expense except overtime and repairs & maintenance.

Table 4
FY 2015 Budget to Actual Performance (\$000)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> | |
|---|---------------|---------------|---|----------------|
| | | | <u>Greater (Less) Than Budget</u> <u>(\$000)</u> | <u>Percent</u> |
| Airline Revenue | \$ 30,563 | \$ 30,595 | \$ 32 | 0.1% |
| Non-Airline Revenue | 32,645 | 33,905 | 1,260 | 3.9% |
| Total Operating Revenue | 63,208 | 64,500 | 1,292 | 2.0% |
| Passenger Facility Charges & PFC Interest | 11,236 | 12,248 | 1,012 | 9.0% |
| Car Rental Facility Charge Revenue & CFC Interest | 5,269 | 5,515 | 246 | 4.7% |
| Operating & Maintenance Expenses before Depreciation | 52,183 | 49,167 | (3,016) | -5.8% |

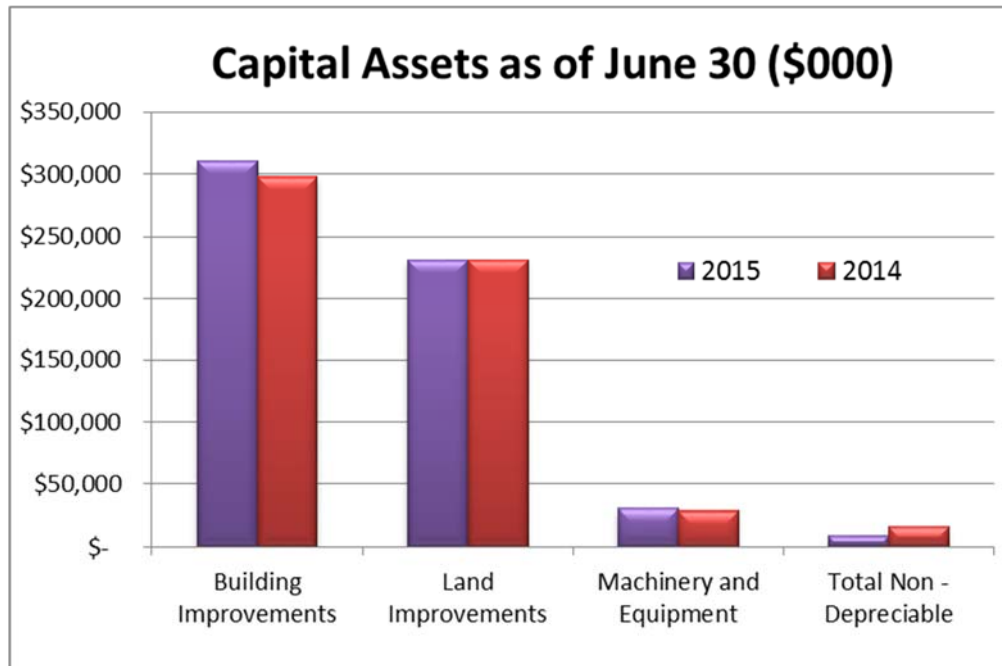
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Bradley's capital assets increased by \$7 for the year ended June 30, 2015. This reflects the changes in building improvements, land improvements, machinery & equipment, land and construction in progress summarized in Table 5 below. The increase in land improvements is mostly due to increases in the reconstruction of T/W C and the improvements to the water system. The majority of the additions to building improvements are due to the new airfield lighting vault and the new security building along with terminal improvements to the unified terminal. Machinery and equipment increases were mainly a result of the new financial management system which is offset by the write off of the old computer system, the AS400, and several pieces of equipment that were retired or used as a trade in for new equipment. The decrease in construction in progress reflects the completion of Taxiway C North noted above and the completion of the airfield lighting vault and the new security building.

Table 5
Capital Assets as of June 30 (\$000)

| | <u>2015</u> | <u>2014</u> | <u>2015 - 2014</u> <u>Additions</u> |
|--------------------------------|-------------------------|-------------------------|--|
| Building Improvements | \$ 310,199 | \$ 298,397 | \$ 11,802 |
| Land Improvements | 231,561 | 231,166 | 395 |
| Machinery and Equipment | 30,818 | 29,245 | 1,573 |
| Total Depreciable | 572,578 | 558,808 | 13,770 |
| Land | 2,657 | 2,657 | - |
| Construction in Progress | 6,120 | 13,332 | (7,212) |
| Total Non - Depreciable | 8,777 | 15,989 | (7,212) |
| Total | <u>\$581,355</u> | <u>\$574,797</u> | <u>\$ 6,558</u> |



Debt

At year end, Bradley had \$129,415 in General Airport Revenue Bonds outstanding versus \$135,600 in FY 2014 - a decrease of \$6,185 or 4.6%. Bradley had two outstanding series of bonds at June 30, 2015. These include the Series 2011 A and Series 2011 B issued to refund the bonds previously issued in support of Bradley’s terminal expansion and improvement program. Principal outstanding on these bonds as of June 30 is shown below:

| Principal Outstanding | 2015 | 2014 | 2015-2014 Change |
|------------------------------|------------------|------------------|-----------------------------|
| Series 2011A | \$ 77,650 | \$ 81,360 | \$ 3,710 |
| Series 2011B | <u>51,765</u> | <u>54,240</u> | <u>2,475</u> |
| Total Principal Outstanding* | <u>\$129,415</u> | <u>\$135,600</u> | \$ <u>6,185</u> |

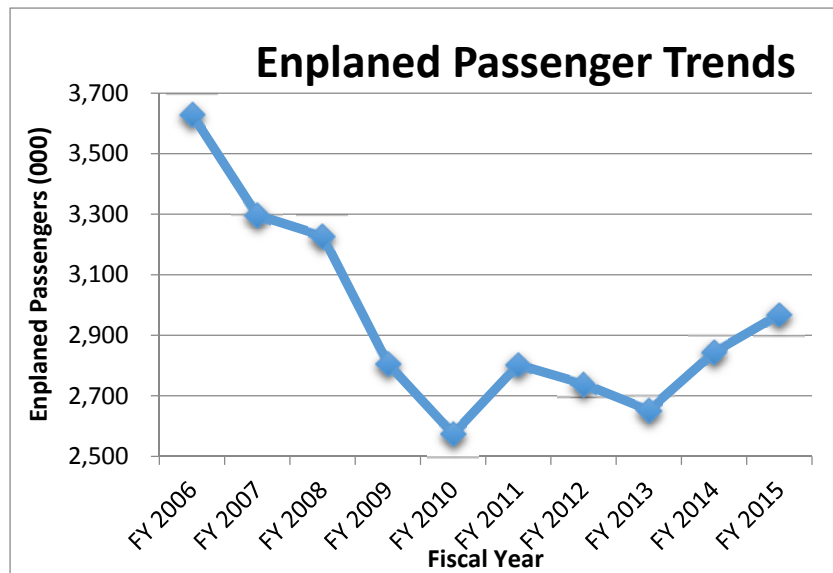
* Less current maturities of \$6,435 results in revenue bonds payable (Long Term Portion) of \$122,980 as of June 30, 2015. For a more detailed description of long-term obligations see Note 5 in the accompanying financial statements.

In addition to the outstanding bonds, non-current liabilities now include \$47.6 million for the net pension liability related to Bradley Airport. The net pension liability as of July 1, 2014 was recognized through a restatement of beginning net position. This is explained further in Note 15.

ECONOMIC FACTORS AND OUTLOOK

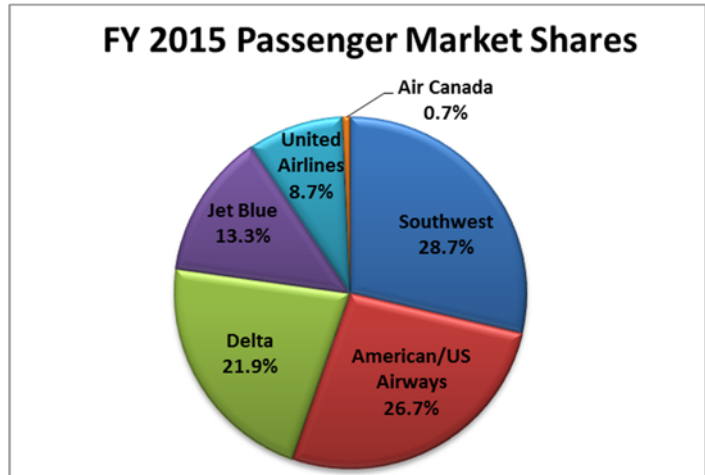
The financial health and stability of the airline industry nationally, regionally and at Bradley is the most significant economic factor with the potential to adversely affect Bradley. The industry has been challenged for years by economic recession, increased costs, extremely narrow margins and lower traffic resulting in multiple airline bankruptcies, consolidations and reorganizations, as well as deep cuts to air service capacity. These factors, a strong air service area and competitive New England airport environment, have combined to produce periods of declining and rebounding enplaned passenger traffic at Bradley. However, Bradley’s strong airline cost recovery structure and its non-airline revenue structure have provided sound financial performance throughout this trend.

The airline mergers and consolidations undertaken over the last several years have affected the use and occupancy of terminal facilities at Bradley. For example, Delta’s acquisition of Northwest Airlines ultimately led to the vacating of Northwest Airline’s facilities at Bradley. The merger of United and Continental airlines ultimately resulted in the consolidation of two leaseholds at Bradley into one. Most recently in FY 2014, Bradley saw the merger of American Airline and US Airways. Bradley expects a reduction in leased terminal space in the future for these two airlines.



Management is responding to enplaned passenger trends and the impact of airline mergers and consolidations with continuance and strengthening of the air service incentive program discussed later in this section.

In FY 2015, Bradley enplaned 2.969 million passengers, a 4.4% increase from FY 2014. The year over year increase is the product of the Authority's successful efforts to develop new airline routes as well as from a rebounding economy. In FY 2015, almost all carriers had increases in passenger traffic with the exception of United Airlines and American Airlines. Jet Blue increased the most with a 19.1% increase in passengers. Delta came in second at 9.9% increase in their passenger count for FY 2015. Southwest continues their trend of increasing their market share and have now become the largest carrier at Bradley with 28.7% of the market share. Following the American and US Airways merger in FY 2014, the combined entity's enplanements have dropped slightly and the new American now represents the second largest carrier at 26.7% of the market share. Delta Airlines, is the third largest carrier with its market share increasing from 20.8% in FY 2014 to 21.9% in FY 2015. United's market share continues to drop from 9.6% in FY 2014 to 8.7% in FY 2015.



| Carrier | Enplaned Passengers | | | | |
|---------------------|---------------------|------------------|--------------------------|---------------------------|-------------------------------|
| | FY 2015 | FY 2014 | FY 2015 Growth (Decline) | % of Total FY 2015 Growth | Carrier Year over Year Growth |
| Southwest | 851,667 | 810,162 | 41,505 | 33.4% | 5.1% |
| American/US Airways | 791,317 | 818,583 | (27,266) | -21.9% | -3.3% |
| Delta | 648,628 | 590,316 | 58,312 | 46.9% | 9.9% |
| Jet Blue | 395,508 | 332,144 | 63,364 | 51.0% | 19.1% |
| United Airlines | 259,689 | 271,730 | (12,041) | -9.7% | -4.4% |
| Air Canada | 21,729 | 21,295 | 434 | 0.3% | 2.0% |
| Total | 2,968,538 | 2,844,230 | 124,308 | 100.0% | 4.4% |

These market shares reflect the activity of Bradley's major (signatory) air carriers combined with the enplaned passengers of their affiliated or contracted regional commuter / express operators that have been carrying an increasing portion of the major carrier's traffic. The market shares have also been grouped to reflect the merger of American Airlines and US Airways. As of June 2015, American, United, Delta, Southwest, Air Canada, Jet Blue and 19 additional regional commuter/express operators served Bradley. Bradley continues to offer a diverse mix of air carriers. Enplaned passenger traffic by carrier and market shares for FY 2014 and FY 2015 are shown below and in Table 6.

The Authority has worked hard with the carriers to attract additional flights in order to increase passenger traffic. Management will continue to work with the airlines and strengthened incentives in order to support the recapture of lost traffic and continue to grow the number of enplanements. Under the current program, open for the period July 1, 2015 through June 30, 2016, Bradley offers fixed rent discounts for the lease of presently vacant terminal facilities, landing fee discounts and cooperative air service marketing assistance to new entrant and incumbent air carriers establishing nonstop scheduled service, or restoring previous reductions to air service, to targeted domestic and international destinations. Fixed rent and landing fee discounts vary depending on the level of service offered. Marketing assistance available under the program provides that Bradley will fund concept, development and placement of advertising in local and destination point media announcing and supporting ongoing use of the flights eligible under the promotion. The level of assistance available varies and is dependent upon the routes served.

Table 6
Bradley International Airport
Passenger Market Share Trends

| Carrier | 2015 Enplaned Passengers | | | 2014 Enplaned Passengers | | |
|---------------------|--------------------------|-------------------------------|------------------|--------------------------|-------------------------------|------------------|
| | Mainline | Regional / Express Operations | Total | Mainline | Regional / Express Operations | Total |
| Southwest | 817,910 | 33,757 | 851,667 | 757,040 | 53,122 | 810,162 |
| American/US Airways | 410,971 | 380,346 | 791,317 | 488,310 | 330,273 | 818,583 |
| Delta | 547,191 | 101,437 | 648,628 | 446,241 | 144,075 | 590,316 |
| Jet Blue | 395,508 | - | 395,508 | 332,144 | - | 332,144 |
| United Airlines | 96,835 | 162,854 | 259,689 | 107,136 | 164,594 | 271,730 |
| Air Canada | - | 21,729 | 21,729 | 2,416 | 18,879 | 21,295 |
| Total | 2,268,415 | 700,123 | 2,968,538 | 2,133,287 | 710,943 | 2,844,230 |

| Carrier | 2015 Market Shares | | | 2014 Market Shares | | |
|---------------------|--------------------|-------------------------------|---------------|--------------------|-------------------------------|---------------|
| | Mainline | Regional / Express Operations | Total | Mainline | Regional / Express Operations | Total |
| Southwest | 27.6% | 1.1% | 28.7% | 26.6% | 1.9% | 28.5% |
| American/US Airways | 13.8% | 12.8% | 26.7% | 17.2% | 11.6% | 28.8% |
| Delta | 18.4% | 3.4% | 21.9% | 15.7% | 5.1% | 20.8% |
| Jet Blue | 13.3% | 0.0% | 13.3% | 11.7% | 0.0% | 11.7% |
| United Airlines | 3.3% | 5.5% | 8.7% | 3.8% | 5.8% | 9.6% |
| Air Canada | 0.0% | 0.7% | 0.7% | 0.1% | 0.7% | 0.7% |
| Total | 76.4% | 23.6% | 100.0% | 75.0% | 25.0% | 100.0% |

Bradley management will continue to monitor the airline industry, economic and regional market trends and the relevant potential impacts on Bradley traffic and financial performance with a view toward identifying and implementing appropriate response measures.

FINANCIAL HIGHLIGHTS - GENERAL AVIATION ENTERPRISE FUND

The General Aviation Airport Enterprise Fund consists of five general aviation airports located within the State of Connecticut. They include Groton/New London Airport, Hartford/Brainard Airport, Waterbury/Oxford Airport, Danielson Airport and Windham Airport. These airports are owned, operated and managed by the Connecticut Airport Authority.

On July 1, 2013 these airports were legally transferred to the Connecticut Airport Authority from the Department of Transportation. Prior to the transition, the airports were owned and operated by the Department of Transportation and the accounting for these five airports was based on the modified cash basis of governmental accounting. With this transition the airports became an Enterprise Fund. The assets and liabilities were transferred at book value and the accounting for these airports was changed to an accrual basis of accounting with separate and distinct financial statements. Fiscal year 2015 is the second year of full accrual based financial statements that will be completed for this Enterprise Fund.

The balance sheet for the General Aviation Airports shows total assets of \$87,728, an increase of \$8,376 or 10.6% from FY 2014. Total assets are broken down by current assets of \$9,330 and noncurrent assets \$78,398. Total liabilities equal \$14,999 which is an increase of \$12,479 from FY 2014. The majority of this increase is due to the recording of the net pension liability associated with the General Aviation Airports. Consistent with Bradley Airport, the General Aviation Airports must implement GASB 68 and record their proportional share of net pension liability. There are no other long term liabilities at this time. The total net position for the General Aviation Airports Enterprise Fund is \$72,380. This is an increase of \$4,904 or 7.3% over FY 2014. See Table 7 below.

TABLE 7
BALANCE SHEET - GENERAL AVIATION AIRPORTS
JUNE 30, 2015
(in thousands)

| | 2015 | 2014 | 2015 - 2014 | |
|--|------------------|------------------|--------------------|-------------------|
| | | | Change (\$) | Change (%) |
| ASSETS | | | | |
| Current and other assets | \$ 9,330 | \$ 4,687 | \$ 4,643 | 99.1% |
| Net capital assets | 78,398 | 74,665 | 3,733 | 5.0% |
| TOTAL ASSETS | 87,728 | 79,352 | 8,376 | 10.6% |
| LIABILITIES | | | | |
| Accounts Payable and Accrued Liabilities | 3,067 | 684 | 2,383 | 348.4% |
| Due to State | 1,980 | 1,675 | 305 | 18.2% |
| Deferred Revenue and Other | 169 | 161 | 8 | 5.0% |
| Net Pension Liability | 9,783 | - | 9,783 | 100.0% |
| TOTAL LIABILITIES | 14,999 | 2,520 | 12,479 | 495.2% |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Change in Projected Pension Investment Earnings | 349 | - | 349 | 100.0% |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 15,348 | 2,520 | 12,828 | 509.0% |
| NET POSITION | | | | |
| Net Investments in Capital Assets | 78,398 | 74,665 | 3,733 | 5.0% |
| Restricted | - | - | - | n/a |
| Unrestricted | (6,018) | 2,168 | (8,186) | -377.6% |
| Adjustment for Net Pension Obligation * | - | (9,357) | 9,357 | -100.0% |
| TOTAL NET POSITION | \$ 72,380 | \$ 67,476 | 4,904 | 7.3% |
| TOTAL LIABILITIES AND NET POSITION | \$ 87,728 | \$ 69,996 | \$ 17,732 | 25.3% |
| 2015 - 2014 | | | | |
| | 2015 | 2014 | Change (\$) | Change (%) |
| NET POSITION at JUNE 30 | | | | |
| Invested in Capital Assets (net) | \$ 78,398 | \$ 74,665 | \$ 3,733 | 5.0% |
| Unrestricted | (6,018) | 2,168 | (8,186) | -377.6% |
| Adjustment for Net Pension Obligation* | \$ - | \$ (9,357) | 9,357 | -100.0% |
| TOTAL NET POSITION* | \$ 72,380 | \$ 67,476 | \$ 4,904 | 7.3% |

* Fiscal year 2014 Net Position is restated in order to reflect the Authority's Net Pension Liability in conjunction with the implementation of GASB 68

Net Position

The General Aviation Airport Enterprise Fund receives operating subsidy from the State of Connecticut through the Department of Transportation. Requests are made during the State's biennial budget process and the Department of Transportation submits the request on behalf of the Connecticut Airport Authority. Once funding is approved, it is appropriated to the Department of Transportation who then makes it available for the Enterprise Fund. Changes in Net Position - Table 8 displays the different categories used to calculate the change in net position. Net position at the beginning of the year for the General Aviation Enterprise Fund was \$67,477. Net position for FY 2015 is \$72,380, an increase of \$4,903. Operating revenues total \$2,492, an increase of \$170 or 7.3% over FY 2014. Airline revenue was \$289 and non-airline revenue was \$2,203. The majority of the non-airline revenue is attributable to land rent and other operating revenue (the majority of which comes from fixed based operators). Operating expenses totaled \$5,648 before depreciation an increase of \$371 or 7.0% over FY 2014. Operating expenses include salaries and related expenses, administrative and general, repairs and maintenance, and energy and utilities. Depreciation expense for FY 2015 is \$3,770 which is \$217 or 5.4% lower than FY 2014. The net non-operating revenue for FY 2015 is \$3,741. This is lower than FY 2014 by \$573 or 13.3%. The non-operating revenue includes the State's operating subsidy of \$5,163 and investment income of \$5 offset by non-operating expenses of \$651 which is predominately made up of various capital projects (planning studies) that were expensed. In addition, the actuarial pension expense allocated to the general aviation airports is contributing to the change in net non-operating revenues. Income (loss) before capital contributions is (\$3,185). Capital contributions of \$8,088 consist of funding received from the State supported by State Bonds to fund capital improvements (\$2,100), and funding from the Federal Aviation Administration for capital infrastructure at each of the General Aviation Airports (\$5,988).

TABLE 8
CHANGES IN NET POSITION - GENERAL AVIATION AIRPORTS
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

| | 2015 | 2014 | 2015 - 2014 | |
|---|----------------|----------------|-----------------|---------------|
| | | | Change (\$) | Change (%) |
| OPERATING REVENUES | | | | |
| Landing Fees | \$ 77 | \$ 89 | \$ (12) | -13.5% |
| Airline Terminal Rent | 13 | 6 | 7 | 116.7% |
| Apron and Remote Aircraft Parking | 199 | 202 | (3) | -1.5% |
| Rental Cars | 125 | 85 | 40 | 47.1% |
| Land Rent | 1,113 | 1,082 | 31 | 2.9% |
| Other Operating Revenue | 965 | 858 | 107 | 12.5% |
| TOTAL OPERATING REVENUES | 2,492 | 2,322 | 170 | 7.3% |
| OPERATING EXPENSES | | | | |
| Salaries and Related Expenses | 4,139 | 3,755 | 384 | 10.2% |
| Administrative and General | 548 | 584 | (36) | -6.2% |
| Repairs and Maintenance | 673 | 678 | (5) | -0.7% |
| Energy and utilities | 288 | 260 | 28 | 10.8% |
| OPER EXPENSES BEFORE DEPRECIATION | 5,648 | 5,277 | 371 | 7.0% |
| OPER LOSS BEFORE DEPRECIATION | (3,156) | (2,955) | (201) | 6.8% |
| Depreciation and Amortization | 3,770 | 3,987 | (217) | -5.4% |
| OPERATING (LOSS) | (6,926) | (6,942) | 16 | -0.2% |
| NON OPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 5 | 2 | 3 | 212.5% |
| Other Non operating expenses | (651) | (833) | 182 | -21.8% |
| State Operating Subsidy | 5,163 | 5,145 | 18 | 0.3% |
| Actuarial Pension Expense | (776) | - | (776) | -100.0% |
| NET NON OPERATING REVENUES (EXPENSE) | 3,741 | 4,314 | (573) | -13.3% |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | | | | |
| CONTRIBUTIONS | (3,185) | (2,628) | (557) | 21.2% |
| CAPITAL CONTRIBUTIONS | 8,088 | 79,461 | (71,373) | -89.8% |
| Change in Net Position | 4,903 | 76,833 | (71,930) | -93.6% |
| Total Net Position, Beginning of Year (as Restated) | 67,477 | - | 67,477 | 100.0% |
| Total Net Position, End of Year | \$ 72,380 | \$ 76,833 | \$ (4,453) | -5.8% |

Revenues

Revenues generated at the General Aviation Airports include several different sources. There are some that utilize rates outlined within State Regulations such as aircraft parking fees and aircraft landing fees while others are based upon negotiated lease terms within tenant operating agreements. Tenant operating agreements can include revenues derived from straight parcel rents as well as from various percentages paid on receipts they report based upon the different types of services they provide. The largest share of revenues for the General Aviation Airport Enterprise Fund is derived from land rent followed by other operating revenue.

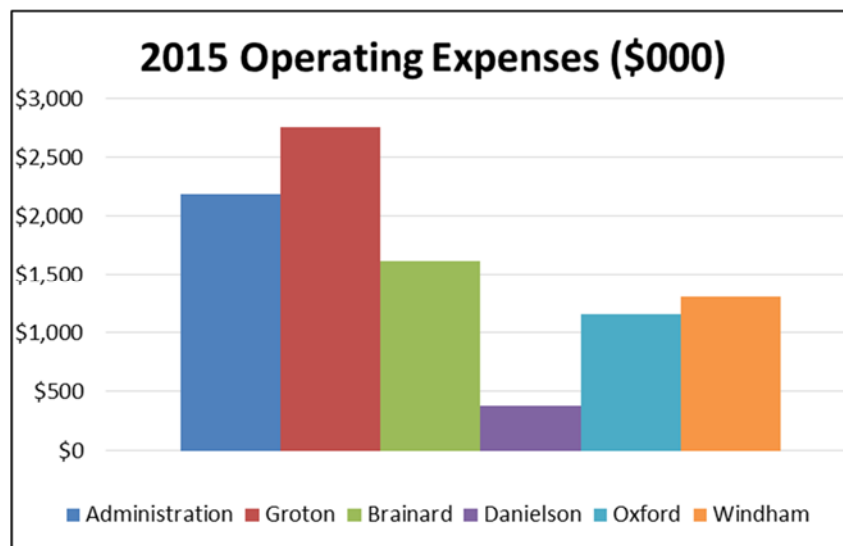
Operating Expenses

Operating expenses in fiscal year 2015 totaled \$9,418. Operating expenses include salaries and related expenses, security, administrative & general, repairs & maintenance, energy & utilities along with equipment and depreciation. The distribution of operating expenses for fiscal year 2015 is shown in Table 9.

As indicated earlier, the General Aviation Airports Enterprise Fund receives subsidy from the State of Connecticut for the operating expenses incurred. For FY 2015, the Authority received \$5,163 from the State of Connecticut to fund operating expenses for all five general aviation airports and the general aviation administration. Operating expenses before depreciation equaled \$5,648 which exceeded the operating subsidy received by \$485. It is the intention of the Authority to work towards reducing the subsidy until such time that the Enterprise Fund can support operations by its own revenues. Table 9 below details the FY 2015 operating expenses by Airport by category.

TABLE 9
OPERATING EXPENSES - GENERAL AVIATION AIRPORTS
FOR THE YEAR ENDED JUNE 30, 2015
(In thousands)

| | Total 2015 | GA Airport | | | | | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|---------------|-----------------|---------------|
| | | Administration | Groton | Brainard | Danielson | Oxford | Windham |
| Salaries & Related | | | | | | | |
| Salaries | \$ 1,838 | 1,045 | 256 | 341 | - | 196 | |
| Overtime | 420 | 48 | 119 | 118 | - | 135 | |
| Other Payroll | 136 | 118 | 4 | 7 | - | 7 | |
| Fringe Benefit | 1,745 | 861 | 286 | 360 | - | 238 | |
| Salaries & Related | 4,139 | 2,072 | 665 | 826 | - | 576 | - |
| Other Expense | | | | | | | |
| Security | 32 | - | 10 | - | 4 | 11 | 7 |
| Administrative & General Costs | 516 | 84 | 267 | 51 | 33 | 53 | 28 |
| Repairs and Maintenance | 599 | - | 106 | 69 | 194 | 77 | 153 |
| Energy/Utilities | 288 | - | 127 | 65 | 16 | 60 | 20 |
| Equipment | 74 | 33 | 3 | 13 | - | 25 | - |
| Other Expense | 1,509 | 117 | 513 | 198 | 247 | 226 | 208 |
| Expenses Before Depreciation | 5,648 | 2,189 | 1,178 | 1,024 | 247 | 802 | 208 |
| Depreciation & Amortization | 3,770 | - | 1,581 | 598 | 132 | 933 | 526 |
| Total Operating Expenses | \$ 9,418 | \$ 2,189 | \$ 2,759 | \$ 1,622 | \$ 379 | \$ 1,735 | \$ 734 |



BUDGET TO ACTUAL PERFORMANCE

Comparing the budget to actual for the General Aviation Airport Enterprise Fund in FY 2015 would be a futile effort. The FY 2015 budget was presented and approved by the Board of Directors as per the Public Act. However, as explained earlier the State subsidy request for FY 2015 was made during the State's biennial budget process. The amount of the actual subsidy was much less than the Board approved budget. The Authority has worked diligently to manage costs within the confines of the lower subsidy amounts instead of the original Board approved budget.

The Authority continues to look into ways to help reduce the State subsidy yet continue to operate the airports safely and maintain them in the same good condition in which they were transferred and their users have grown accustomed. The revenues are invested into the State of Connecticut Short Term Investment Fund in order to build a sufficient working capital balance for the Enterprise Fund. Expenses are closely monitored and the Authority is actively exploring new avenues of increasing revenue in an effort to reduce the subsidy and ultimately fund its own operations

REQUESTS FOR INFORMATION

This management's discussion and analysis and the following financial statements are designed to be in conformance with generally accepted accounting principles (GAAP) for governmental units as promulgated by the Governmental Accounting Standards Board (GASB). We believe that this report presents fairly the financial position of the Airport and the results of its operations for the fiscal year ended June 30, 2015. The report is consistent with full disclosure so that the reader may gain a solid understanding of the Authority's financial affairs.

This report was prepared in its entirety by the management of the Connecticut Airport Authority and we take full responsibility for the accuracy of the data and the completeness and fairness of the presentation.

CONNECTICUT AIRPORT AUTHORITY
BALANCE SHEET
JUNE 30, 2015

| | Bradley International Airport Fund | General Aviation Airports Fund | Total Connecticut Airport Authority |
|--|---|---|--|
| ASSETS | | | |
| Current Assets | | | |
| Cash | \$ 12,288,149 | \$ 716,858 | \$ 13,005,007 |
| Short-term investments | 53,523,419 | 3,762,082 | 57,285,501 |
| Accounts receivable, net | 5,949,304 | 169,038 | 6,118,342 |
| Grants receivable | 5,396,921 | 3,249,091 | 8,646,012 |
| Restricted investments, current portion | 3,020,083 | - | 3,020,083 |
| Due from State | 4,534,453 | 1,339,094 | 5,873,547 |
| Prepaid expenses and other | 118,151 | 93,580 | 211,731 |
| Total current assets | <u>84,830,480</u> | <u>9,329,743</u> | <u>94,160,223</u> |
| Noncurrent Assets | | | |
| Restricted assets: | | | |
| Car rental facility | 27,787,871 | - | 27,787,871 |
| Passenger facility | 69,677,626 | - | 69,677,626 |
| Bond indenture | 11,537,002 | - | 11,537,002 |
| Capital assets | <u>266,314,476</u> | <u>78,398,242</u> | <u>344,712,718</u> |
| Total noncurrent assets | <u>375,316,975</u> | <u>78,398,242</u> | <u>453,715,217</u> |
| Total assets | <u>460,147,455</u> | <u>87,727,985</u> | <u>547,875,440</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Interest rate swaps | 19,290,583 | - | 19,290,583 |
| Deferred loss on bond refunding | 1,998,930 | - | 1,998,930 |
| Total deferred outflows of resources | <u>21,289,513</u> | <u>-</u> | <u>21,289,513</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 481,436,968</u> | <u>\$ 87,727,985</u> | <u>\$ 569,164,953</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Current maturities of revenue bonds | \$ 6,435,000 | \$ - | \$ 6,435,000 |
| Accounts payable and accrued liabilities | 12,462,098 | 3,067,064 | 15,529,162 |
| Due to State | 946,228 | 1,979,600 | 2,925,828 |
| Revenue bond interest payable | 1,284,106 | - | 1,284,106 |
| Deferred revenue and other | 1,609,621 | 169,132 | 1,778,753 |
| Total current liabilities | <u>22,737,053</u> | <u>5,215,796</u> | <u>27,952,849</u> |
| Noncurrent Liabilities | | | |
| Revenue bonds payable, less current maturities | 122,980,000 | - | 122,980,000 |
| Interest rate swap | 19,290,583 | - | 19,290,583 |
| Net pension liability | 47,575,674 | 9,782,981 | 57,358,655 |
| Total noncurrent liabilities | <u>189,846,257</u> | <u>9,782,981</u> | <u>199,629,238</u> |
| Total liabilities | <u>212,583,310</u> | <u>14,998,777</u> | <u>227,582,087</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Changes in projected pension investment earnings | 1,699,133 | 349,392 | 2,048,525 |
| Total Liabilities and Deferred Inflows of Resources | <u>214,282,443</u> | <u>15,348,169</u> | <u>229,630,612</u> |
| NET POSITION | | | |
| Net investment in capital assets | 132,752,036 | 78,398,242 | 211,150,278 |
| Restricted for: | | | |
| Capital projects | 102,498,662 | - | 102,498,662 |
| Debt service | 7,423,588 | - | 7,423,588 |
| Bond indenture requirements | 2,100,332 | - | 2,100,332 |
| Unrestricted | <u>22,379,907</u> | <u>(6,018,426)</u> | <u>16,361,481</u> |
| Total net position | <u>267,154,525</u> | <u>72,379,816</u> | <u>339,534,341</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 481,436,968</u> | <u>\$ 87,727,985</u> | <u>\$ 569,164,953</u> |

The accompanying notes are an integral part of the financial statements

CONNECTICUT AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

| | Bradley International Airport Fund | General Aviation Airports Fund | Total Connecticut Airport Authority |
|--|---|---|--|
| Operating Revenues | | | |
| Airline revenue: | | | |
| Landing fees | \$ 16,760,104 | \$ 76,735 | \$ 16,836,839 |
| Airline terminal rent | 10,020,913 | 12,520 | 10,033,433 |
| Apron and remote aircraft parking | 3,813,858 | 199,359 | 4,013,217 |
| Total airline revenue | <u>30,594,875</u> | <u>288,614</u> | <u>30,883,489</u> |
| Nonairline revenue: | | | |
| Auto parking | 10,927,728 | - | 10,927,728 |
| Rental cars | 8,783,025 | 124,833 | 8,907,858 |
| Terminal concessions | 4,000,893 | - | 4,000,893 |
| Land rent | 4,411,262 | 1,113,517 | 5,524,779 |
| Other concessions | 3,271,916 | - | 3,271,916 |
| Other operating revenue | 2,510,680 | 965,151 | 3,475,831 |
| Total nonairline revenue | <u>33,905,504</u> | <u>2,203,501</u> | <u>36,109,005</u> |
| Total operating revenues | <u>64,500,379</u> | <u>2,492,115</u> | <u>66,992,494</u> |
| Operating Expenses | | | |
| Salaries and related expense | 19,980,965 | 4,139,117 | 24,120,082 |
| Administrative and general | 15,923,076 | 547,420 | 16,470,496 |
| Energy and utilities | 5,875,009 | 288,311 | 6,163,320 |
| Repairs and maintenance | 7,387,519 | 673,139 | 8,060,658 |
| Depreciation and amortization | 15,817,411 | 3,770,274 | 19,587,685 |
| Total operating expenses | <u>64,983,980</u> | <u>9,418,261</u> | <u>74,402,241</u> |
| Operating Loss | <u>(483,601)</u> | <u>(6,926,146)</u> | <u>(7,409,747)</u> |
| Nonoperating Revenues (Expense) | | | |
| Car rental facility charge revenue | 5,514,522 | - | 5,514,522 |
| Passenger facility charge revenue | 12,247,888 | - | 12,247,888 |
| Investment income | 121,184 | 5,430 | 126,614 |
| Bond interest expense | (5,027,842) | - | (5,027,842) |
| Other nonoperating expenses | (9,955,279) | (651,059) | (10,606,338) |
| State operating subsidies | - | 5,162,764 | 5,162,764 |
| Actuarial pension expense | (3,772,792) | (775,799) | (4,548,591) |
| Net nonoperating revenues (expense) | <u>(872,319)</u> | <u>3,741,336</u> | <u>2,869,017</u> |
| Income (Loss) Before Capital Contributions | (1,355,920) | (3,184,810) | (4,540,730) |
| Capital Contributions | <u>5,047,883</u> | <u>8,087,702</u> | <u>13,135,585</u> |
| Change in Net Position | 3,691,963 | 4,902,892 | 8,594,855 |
| Net Position - Beginning of Year, as Restated | <u>263,462,562</u> | <u>67,476,924</u> | <u>330,939,486</u> |
| Net Position - End of Year | <u>\$ 267,154,525</u> | <u>\$ 72,379,816</u> | <u>\$ 339,534,341</u> |

The accompanying notes are an integral part of the financial statements

**CONNECTICUT AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

| | Bradley International Airport Fund | General Aviation Airports Fund | Total Connecticut Airport Authority |
|---|---|---|--|
| Cash Flows from Operating Activities | | | |
| Received from concessionaires | \$ 64,424,741 | \$ 2,324,311 | \$ 66,749,052 |
| Payments to employees for services | (19,980,965) | (4,139,117) | (24,120,082) |
| Payments to suppliers for goods and services | (23,658,908) | (1,234,158) | (24,893,066) |
| Net cash provided by (used in) operating activities | <u>20,784,868</u> | <u>(3,048,964)</u> | <u>17,735,904</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Car rental facility charge receipts | 5,486,119 | - | 5,486,119 |
| Passenger facility charge receipts | 12,211,233 | - | 12,211,233 |
| Capital contributions | 1,136,158 | 6,252,207 | 7,388,365 |
| Receipt of State operating subsidies | - | 5,162,764 | 5,162,764 |
| Repayments from (advances to) State, net | 8,633,547 | (329,193) | 8,304,354 |
| Principal paid on capital debt | (6,185,000) | - | (6,185,000) |
| Interest paid on capital debt | (5,275,041) | - | (5,275,041) |
| Planning and studies outlays | (9,955,279) | (651,059) | (10,606,338) |
| Acquisition of capital assets | (6,684,141) | (5,386,138) | (12,070,279) |
| Net cash provided by (used in) capital and related financing activities | <u>(632,404)</u> | <u>5,048,581</u> | <u>4,416,177</u> |
| Cash Flows from Investing Activities | | | |
| Net purchases of investments | (8,879,843) | (1,298,784) | (10,178,627) |
| Interest on investments | 123,477 | 5,430 | 128,907 |
| Net cash used in investing activities | <u>(8,756,366)</u> | <u>(1,293,354)</u> | <u>(10,049,720)</u> |
| Net Increase in Cash | 11,396,098 | 706,263 | 12,102,361 |
| Cash - Beginning of Year | <u>892,051</u> | <u>10,595</u> | <u>902,646</u> |
| Cash - End of Year | <u>\$ 12,288,149</u> | <u>\$ 716,858</u> | <u>\$ 13,005,007</u> |
| Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities | | | |
| Operating loss | \$ (483,601) | \$ (6,926,146) | \$ (7,409,747) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 15,817,411 | 3,770,274 | 19,587,685 |
| (Increase) decrease in operating assets: | | | |
| Accounts receivable and prepaid expenses | (75,638) | (167,804) | (243,442) |
| Increase (decrease) in operating liabilities: | | | |
| Accounts payable and accrued liabilities | 5,467,473 | 266,103 | 5,733,576 |
| Deferred revenue and other | 59,223 | 8,609 | 67,832 |
| Net Cash Provided by (Used In) Operating Activities | <u>\$ 20,784,868</u> | <u>\$ (3,048,964)</u> | <u>\$ 17,735,904</u> |

The accompanying notes are an integral part of the financial statements

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Connecticut Airport Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). Following is a summary of significant accounting policies of the Authority.

Reporting Entity

The State of Connecticut established the Authority effective July 1, 2011, to operate Bradley International Airport as well as the other State-owned (general aviation) airports. The Authority is a component unit of the State of Connecticut.

Pursuant to Public Act No. 11-84 (the Act), effective July 1, 2013, the assets and liabilities of the Bradley International Airport enterprise fund as well as the general aviation airports were transferred from the Department of Transportation (ConnDOT) to the Authority. Bradley International Airport was previously accounted for in a separate enterprise fund of ConnDOT, while the general aviation airports were accounted for in governmental funds of ConnDOT. The Act requires establishment of the following funds within the Authority:

The Bradley International Airport Fund - to account for the operations of Bradley International Airport.

The General Aviation Airports Fund - to account for the operations of the following general aviation airports; Oxford Airport, Brainard Airport, Groton/New London Airport, Danielson Airport and Windham Airport.

The CAA Fund - to account for activities not included in the above funds. Currently this fund serves as a conduit for allocating common items to the Bradley International Airport Fund and the General Aviation Airports Fund and has no assets, liabilities, revenues or expenses. Therefore, it has not been presented as a fund in the basic financial statements.

The transfer of Bradley International Airport and the general aviation airports has been accounted for as a contribution from the state in accordance with GASB requirements. Assets and liabilities were transferred at their historical book values.

Effective June 10, 2015, ConnDOT completed the transfer of the premises constituting the parking garage and surface parking lots located at Bradley International Airport to the Authority, and assigned to the Authority all of its rights, title and interest including all of its obligations under the Operating Agreement dated March 31, 2000 and the Guaranty Agreement of Standard Parking Corporation (the operator) as of March 1, 2000. The term of the Operating Agreement expires April 6, 2025.

Under the Operating Agreement, the surface parking lots, parking garage and related bonds are required to be reported in a separate enterprise fund of the State of Connecticut Department of Transportation. Accordingly, these assets and liabilities are not reported in the Authority's financial statements.

Basis of Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

CONNECTICUT AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the operation of the Airport. The principal operating revenues of the Authority are fees from carriers and other concessionaires for use of the airports. Operating expenses include the cost of maintaining the airports, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Change in Accounting Principle

The Authority has implemented GASB Statement No. 68 - *Accounting and Financial Reporting by Pensions - An Amendment of GASB Statement No. 27*. The standard requires reporting of the entire unfunded liability of defined benefit pension plans. The net pension obligation under the new standard is discussed below. Implementation of the standard required a restatement of July 1, 2014 net assets, as described in Note 15.

Revenues

Revenue recognition policies are as follows:

- Landing Fees - Landing fees are principally generated from scheduled airlines, cargo carriers and nonscheduled commercial aviation and are based on the landed weight of the aircraft. The estimated landing fee structure for Bradley International Airport is determined annually pursuant to State regulation and an agreement between the Airport and the signatory airlines based on the operating budget of the Airport. Landing fees are recognized as revenue as landings occur.
- Terminal Rents and Concessions - Rental and concession fees are generated from airlines, food and beverage, retail, rental cars, hotel, advertising and other commercial tenants. Leases are for various terms and generally require rentals based on the space occupied and/or the volume of business, with specific minimum annual rental payments often required. Rental revenue is recognized over the term of the respective leases, and concession revenue is recognized based on reported concessionaire revenue.
- Auto Parking - Auto parking fees are generated by Bradley International Airport from an agreement with a vendor to operate the Airport parking. Revenue is recognized based on a guaranteed fixed annual minimum amount per the agreement plus provisional profit sharing.
- Passenger Facility Charges - Passenger facility charge revenue is recognized when the fee is collected by the airline from the passenger.
- Other - All other types of revenues are recognized when earned.

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program of the Federal Aviation Administration, with certain matching funds provided by the Authority. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for capital asset acquisitions, facility development and rehabilitation and eligible long-term planning studies are reported in the statement of revenues, expenses and changes in net position after nonoperating revenues (expenses) as capital contributions.

CONNECTICUT AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS

Investments

The Authority presents all investments at fair value except for nonparticipating investment contracts, which are recorded at accreted cost.

The fair value of investments traded on public markets is determined using quoted market prices. The State Treasurer's Short-Term Investment Fund (STIF) is an investment pool managed by the State Treasurer's Office. The fair value of the Authority's position in the pool is the same as the value of the pool shares.

There were no significant investment gains or losses for the year ended June 30, 2015.

Capital Assets and Depreciation

Capital assets, which include property, equipment and infrastructure assets (runways, taxiways and aprons), are stated at cost, which includes applicable capitalized interest and expenditures of the Federal Aviation Administration and State contributions in support of construction. The Authority defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Maintenance and repairs that do not add to the value of the asset or materially extend its life are charged to expense as incurred, while significant renewals and betterments are capitalized.

Depreciation is computed on a straight-line basis. The estimated useful lives of the major property, equipment and infrastructure classifications are as follows: land improvements, 20 to 50 years; buildings and improvements, 10 to 40 years; and machinery and equipment, 3 to 15 years. Depreciation expense relating to both purchased and contributed assets is charged against operations.

Deferred Outflows of Resources

In addition to assets, the balance sheet also reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense) until then. The Authority's deferred outflows include the fair value of interest rate swaps and a deferred charge on the refunding of bonds. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the balance sheet also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and, therefore, will not be recognized as an inflow of resources until that time. The Authority reports a deferred inflow of resources related to changes in projected investment earnings in the State Employees Retirement System. This amount is deferred and will be included as a reduction of pension expense ratably over the next four years.

Bond Premiums and Discounts

Long-term debt and other noncurrent obligations are reported as liabilities in the balance sheet. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

CONNECTICUT AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS

Interest Rate Swaps

The Authority's interest rate swap agreements have been determined to be effective hedges for accounting purposes. Accordingly, the fair value of the hedges and changes therein are recognized as deferred inflows or outflows under interest rate swaps on the balance sheet.

Compensated Absences

Employees of the Authority are considered State employees for purposes of employee benefits. Employees hired on or before June 30, 1977 and managers employed by the State before the transition to the Authority can accumulate up to a maximum of 120 vacation days. Employees hired after June 30, 1977 can accumulate up to a maximum of 60 days. Employees hired by the Authority can only accumulate one year's worth of earned vacation time. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, all union employees and nonunion employees who transitioned from ConnDOT are entitled to payment for accumulated sick time only upon retirement, or after 10 years of service upon death, for an amount equal to one-fourth of their accrued sick leave up to a maximum payment equivalent to 60 days. All vacation and sick pay that would be payable assuming termination at year end is accrued on the balance sheet. The related liability is based upon current compensation levels.

Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Allocation of Expenses

The financial statements include certain allocations of expenses incurred jointly by the Authority and the State, as follows:

Fringe benefits costs, which are incurred at the State level, are charged to the airports based on each employee's actual benefit costs. Total fringe benefit charges to the Authority were \$10,810,985 for the year ended June 30, 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

In the case of deposits, this represents the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk on deposits. As of June 30, 2015, \$12,583,855 of the Authority's bank balance was exposed to custodial credit risk because it was not covered under federal depository insurance or collateralized, as defined by GASB Statement No. 40. However, all bank deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must, at all times, maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposit is determined based on either the public deposits reported on the most recent quarterly call report or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments

The following is a summary of investments at June 30, 2015:

| | <u>Bradley International Airport Fund</u> | <u>General Aviation Airports Fund</u> | <u>Total</u> |
|--|---|---|------------------------------|
| State Treasurer's Short-Term Investment Fund | \$ <u>162,944,949</u> | \$ <u>3,762,082</u> | \$ <u>166,707,031</u> |
| Total Investments | \$ <u><u>162,944,949</u></u> | \$ <u><u>3,762,082</u></u> | \$ <u><u>166,707,031</u></u> |

Interest Rate Risk

Because the Authority's investments are comprised of the State Treasurer's Short-Term Investment Fund, which is redeemable on demand, the Authority is not subject to declines in value due to interest rate risk.

Credit Risk

Connecticut General Statutes authorize the Authority to invest in obligations of the U.S. Treasury, including its agencies and instrumentalities, commercial paper, banker's acceptance, repurchase agreements and the State Treasurer's Short-Term Investment Fund.

Investment ratings for the Authority's investments are as follows:

| | <u>Standard & Poor's</u> |
|--|----------------------------------|
| State Treasurer's Short-Term Investment Fund | AAAm |

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

Concentration of Credit Risk

The Authority's investment policy does not limit the investment in any one investment vehicle. The State Treasurer's Short-Term Investment Fund is an investment pool that is not subject to this disclosure.

Custodial Credit Risk - Investments

For an investment, this represents the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of the investment. The Authority does not have a policy for custodial credit risk on investments.

NOTE 3 - RESTRICTED ASSETS

Car Rental Facility Charges

Car rental facility charges are restricted for expenditure for a car rental facility at Bradley International Airport. Restricted assets are comprised of the following as of June 30, 2015:

| | | |
|--|----|-------------------|
| Car rental facility charges receivable | \$ | 551,880 |
| Interest receivable | | 3,156 |
| Investments | | <u>27,232,835</u> |
| | \$ | <u>27,787,871</u> |

Passenger Facility Charges

Passenger facility charges are restricted for expenditure for federally approved Bradley International Airport improvement projects or debt service of Bradley International Airport. Restricted assets are comprised of the following as of June 30, 2015:

| | | |
|---------------------------------------|----|-------------------|
| Cash | \$ | 512,182 |
| Passenger facility charges receivable | | 1,525,389 |
| Interest receivable | | 8,113 |
| Investments | | <u>67,631,942</u> |
| | \$ | <u>69,677,626</u> |

Bond Indenture

The following assets are restricted for debt service as required under the Bond Indenture. Restricted assets are comprised of the following as of June 30, 2015:

| | | |
|----------------------|----|--------------------|
| Investments | \$ | 14,556,753 |
| Less current portion | | <u>(3,020,083)</u> |
| | | 11,536,670 |
| Interest receivable | | <u>332</u> |
| | \$ | <u>11,537,002</u> |

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2015:

| | <u>Balance July 1, 2014</u> | <u>Additions</u> | <u>Reductions and Reclassifications</u> | <u>Balance June 30, 2015</u> |
|---|---------------------------------|---------------------|---|----------------------------------|
| BRADLEY INTERNATIONAL AIRPORT | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,657,154 | \$ - | \$ - | \$ 2,657,154 |
| Construction in progress | <u>12,801,785</u> | <u>9,886,970</u> | <u>(16,568,908)</u> | <u>6,119,847</u> |
| Total capital assets not being depreciated | <u>15,458,939</u> | <u>9,886,970</u> | <u>(16,568,908)</u> | <u>8,777,001</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 231,166,146 | 394,652 | - | 231,560,798 |
| Buildings and improvements | 298,950,422 | 11,272,663 | - | 310,223,085 |
| Machinery and equipment | <u>29,245,295</u> | <u>1,699,080</u> | <u>(126,759)</u> | <u>30,817,616</u> |
| Total capital assets being depreciated | <u>559,361,863</u> | <u>13,366,395</u> | <u>(126,759)</u> | <u>572,601,499</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (157,494,900) | (6,580,296) | - | (164,075,196) |
| Buildings and improvements | (118,252,836) | (7,669,698) | - | (125,922,534) |
| Machinery and equipment | <u>(23,748,331)</u> | <u>(1,444,406)</u> | <u>126,443</u> | <u>(25,066,294)</u> |
| Total accumulated depreciation | <u>(299,496,067)</u> | <u>(15,694,400)</u> | <u>126,443</u> | <u>(315,064,024)</u> |
| Total capital assets being depreciated, net | <u>259,865,796</u> | <u>(2,328,005)</u> | <u>(316)</u> | <u>257,537,475</u> |
| Capital Assets, Net | <u>\$ 275,324,735</u> | <u>\$ 7,558,965</u> | <u>\$ (16,569,224)</u> | <u>\$ 266,314,476</u> |

| | <u>Balance July 1, 2014</u> | <u>Additions</u> | <u>Reductions and Reclassifications</u> | <u>Balance June 30, 2015</u> |
|---|---------------------------------|----------------------|---|----------------------------------|
| GENERAL AVIATION AIRPORTS | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 22,539,376 | \$ 3,796,111 | \$ - | \$ 26,335,487 |
| Construction in progress | <u>16,504,228</u> | <u>8,134,912</u> | <u>(20,667,456)</u> | <u>3,971,684</u> |
| Total capital assets not being depreciated | <u>39,043,604</u> | <u>11,931,023</u> | <u>(20,667,456)</u> | <u>30,307,171</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 75,310,547 | 11,122,129 | - | 86,432,676 |
| Buildings and improvements | 15,121,718 | 4,599,243 | - | 19,720,961 |
| Machinery and equipment | <u>8,456,097</u> | <u>518,381</u> | <u>-</u> | <u>8,974,478</u> |
| Total capital assets being depreciated | <u>98,888,362</u> | <u>16,239,753</u> | <u>-</u> | <u>115,128,115</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (44,220,466) | (2,954,880) | - | (47,175,346) |
| Buildings and improvements | (12,084,609) | (480,938) | - | (12,565,547) |
| Machinery and equipment | <u>(6,961,695)</u> | <u>(334,456)</u> | <u>-</u> | <u>(7,296,151)</u> |
| Total accumulated depreciation | <u>(63,266,770)</u> | <u>(3,770,274)</u> | <u>-</u> | <u>(67,037,044)</u> |
| Total capital assets being depreciated, net | <u>35,621,592</u> | <u>12,469,479</u> | <u>-</u> | <u>48,091,071</u> |
| Capital Assets, Net | <u>\$ 74,665,196</u> | <u>\$ 24,400,502</u> | <u>\$ (20,667,456)</u> | <u>\$ 78,398,242</u> |

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations as of June 30, 2015:

| | <u>Balance July 1, 2014</u> | <u>Issuances and Other Increases</u> | <u>Retirements and Other Decreases</u> | <u>Balance June 30, 2015</u> |
|-----------------------|---------------------------------|--|--|----------------------------------|
| Revenue bonds payable | \$ 135,600,000 | \$ - | \$ 6,185,000 | \$ 129,415,000 |
| Net pension liability | <u>52,810,064</u> | <u>4,548,591</u> | <u>-</u> | <u>57,358,655</u> |
| | <u>\$ 188,410,064</u> | <u>\$ 4,548,591</u> | <u>\$ 6,185,000</u> | <u>\$ 186,773,655</u> |

The net pension liability as of July 1, 2014 was recognized through a restatement of beginning net assets (see Note 15).

Bradley International Airport Fund Revenue Bonds

A summary of Bradley International Airport revenue bonds outstanding as of June 30, 2015 is as follows:

| <u>Description</u> | <u>Interest Rates</u> | <u>2015</u> |
|-------------------------|---------------------------------------|-----------------------|
| Series 2011A | Variable - percent of one-month LIBOR | \$ 77,650,000 |
| Series 2011B | Variable - percent of one-month LIBOR | <u>51,765,000</u> |
| Principal outstanding | | 129,415,000 |
| Less current maturities | | <u>(6,435,000)</u> |
| Long-Term Portion | | <u>\$ 122,980,000</u> |

Series 2011A and 2011B

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 the Authority is amortizing over the life of the refunded debt.

The 2011 bonds are secured by and payable solely from the gross operating revenues generated by the Authority from the operation of Bradley International Airport and other receipts, funds or monies pledged in the bond indenture, including a portion of Bradley International Airport's passenger facility charges revenue.

Debt Service Account

A debt service account has been established in accordance with the various bond indentures to provide for payment of principal at maturity and semiannual interest payments due on April 1 and October 1 of each year. The annual principal payments and interest on the variable rate Airport Revenue Refunding Bonds Series 2011 are disclosed in Note 6, along with the net receipt or payment arising from the Authority's interest rate swaps.

CONNECTICUT AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS

Bond covenants require that certain accounts be established and maintained in the custody of the Trustee into which bond proceeds, operating revenues and investment earnings are deposited. The disbursement of funds from these accounts for the cost of facilities and debt service are provided for in the various indentures. Amounts on deposit at June 30, 2015 are recognized as restricted assets in the accompanying balance sheet.

Guarantor

As discussed in Note 1, on June 10, 2015, ConnDOT transferred title to the surface parking lots and parking garage at Bradley International Airport and made the Authority guarantor of the related Bradley International Airport Special Obligation parking revenue Bonds, of which \$33,010,000 was outstanding as of June 30, 2015.

NOTE 6 - INTEREST RATE SWAPS

Objective

As a means to lock in its future borrowing costs, two forward starting interest rate swaps were entered into in 2006. The swaps effectively changed the Bradley International Airport's interest rate on the 2011 Series bonds from a variable interest rate to a synthetic fixed rate. The interest rate swaps are considered to be effective cash flow hedges for accounting purposes.

Terms

The notional amount of the swaps matches the principal amounts of the associated debt. The swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow anticipated reductions to the associated bond issue's outstanding balance. Under the swaps, the Authority pays the counterparty a fixed interest rate payment and receives a variable interest rate payment based on the LIBOR rate. Only the net difference in interest payments will be actually exchanged between the parties. No cash was received or paid when the swap transactions were initiated.

Fair Value

The valuation of the two swaps changes with movements in interest rate levels; generally, as interest rates decrease, the fair values of the swaps decrease also. As of June 30, 2015, both swaps had negative fair values (representing a liability) as indicated below. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risk

As of June 30, 2015, the Authority had no exposure to credit risk on either of the swaps as both had negative fair values. The credit ratings of the swap counterparties are indicated below.

Both swaps contain collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap in cash or government securities should the counterparties' credit rating fall below Aa3 as issued by Moody's Investor Service or AA- as issued by Standard & Poor's Ratings or Fitch Ratings. No collateral was required to be posted for either of the swaps as of June 30, 2015. The Authority is not required to post collateral for either of the swaps.

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

Basis Risk

Bradley International Airport Fund variable-rate bond interest payments are reset weekly using a formula based on one-month LIBOR. The Bradley International Airport Fund receives a variable rate payment from the swap counterparties that are reset weekly using a formula based on three-month LIBOR. The fund is exposed to basis risk since both amounts are not calculated using the same formula.

Termination Risk

The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If either of the swaps is terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates. If at the time of the termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment approximately equal to the swap's fair value. Under both swap agreements, the Authority has up to 270 days to fund any required termination payment.

The following is a summary of terms of the interest rate swaps held on June 30, 2015 by the Authority:

| Counterparty | Goldman Sachs Capital Markets, L.P. | Bank of America, N.A. |
|--|--|--|
| Bond issue | 2011A | 2011B |
| Original notional amount | \$91,430,000 | \$60,950,000 |
| Face amount of related bonds | \$91,430,000 | \$60,950,000 |
| Current outstanding amount as of June 30, 2015 | \$77,650,000 | \$51,765,000 |
| Effective date | April 1, 2011 | April 1, 2011 |
| Maturity date | October 1, 2031 | October 1, 2031 |
| Fixed rate paid | 3.693% | 3.683% |
| Variable rate received | 60% of 3-month USD LIBOR plus 40 basis points | 60% of 3-month USD LIBOR plus 40 basis points |
| Variable interest rate in effect under swap at June 30, 2015 | 0.568% | 0.568% |
| Variable interest rate in effect on related bonds | 0.831% | 0.891% |
| Credit rating of counterparty: Moody's Investors Service | Aa2 | A2 |
| Standard & Poor's | AAA | A |

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

The following is a summary of the changes in fair value of the interest rate swaps for the year ended June 30, 2015, which are accounted for as changes in deferred outflows reported in the balance sheet:

| | <u>Goldman Sachs</u> | <u>Bank of America</u> | <u>Total</u> |
|---|------------------------|------------------------|------------------------|
| Fair value - July 1, 2014 | \$ (11,796,441) | \$ (7,849,093) | \$ (19,645,534) |
| Change in fair value for the year ended June 30, 2015 | <u>212,794</u> | <u>142,157</u> | <u>354,951</u> |
| Fair Value - June 30, 2015 | <u>\$ (11,583,647)</u> | <u>\$ (7,706,936)</u> | <u>\$ (19,290,583)</u> |

Interest Rate Swap Payments and Hedged Debt

Aggregate debt service requirements of the Authority's variable rate bonds and net receipt/payments on the associated interest rate swap agreements as of June 30, 2015 are presented below. These amounts assume that current rates on variable rate bonds and the current reference rates on the swaps will remain the same for their term. As these rates vary, interest payments on variable rate bonds and the net receipts/payments on the interest rate swaps will also vary.

| <u>Fiscal Year Ending June 30</u> | <u>Variable Rate Bonds</u> | | <u>Interest Rate Swaps, Net</u> | <u>Total</u> |
|---------------------------------------|----------------------------|---------------------|-------------------------------------|-----------------------|
| | <u>Principal</u> | <u>Interest</u> | | |
| 2016 | \$ 6,435,000 | \$ 1,068,671 | \$ 3,901,221 | \$ 11,404,892 |
| 2017 | 6,690,000 | 1,012,185 | 3,694,965 | 11,397,150 |
| 2018 | 6,960,000 | 953,439 | 3,480,452 | 11,393,891 |
| 2019 | 7,225,000 | 892,410 | 3,257,604 | 11,375,014 |
| 2020 | 7,510,000 | 829,002 | 3,026,072 | 11,365,073 |
| 2021 - 2025 | 36,405,000 | 3,184,792 | 11,624,592 | 51,214,384 |
| 2026 - 2030 | 39,905,000 | 1,599,175 | 5,835,020 | 47,339,196 |
| 2031 - 2032 | <u>18,285,000</u> | <u>129,632</u> | <u>471,611</u> | <u>18,886,243</u> |
| Total | <u>\$ 129,415,000</u> | <u>\$ 9,669,306</u> | <u>\$ 35,291,537</u> | <u>\$ 174,375,842</u> |

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following as of June 30, 2015:

| | <u>Bradley International Airport Fund</u> | <u>General Aviation Airports Fund</u> | <u>Total</u> |
|-----------------------------|---|---|----------------------|
| Accrued payroll | \$ 3,388,297 | \$ 758,262 | \$ 4,146,559 |
| Accrued operating expenses | 4,211,537 | 166,568 | 4,378,105 |
| Accounts payable - projects | <u>4,862,264</u> | <u>2,142,234</u> | <u>7,004,498</u> |
| | <u>\$ 12,462,098</u> | <u>\$ 3,067,064</u> | <u>\$ 15,529,162</u> |

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RESTRICTED REVENUE

The following Bradley International Airport Fund car rental facility charge revenue is restricted for expenditures for a car rental facility at Bradley International Airport for the year ended June 30, 2015:

| | |
|------------------------------------|---------------------|
| Car rental facility charge revenue | \$ 5,477,983 |
| Interest income | <u>36,539</u> |
| | <u>\$ 5,514,522</u> |

The following Bradley International Airport Fund passenger facility charge revenue and investment income earned thereon is restricted for expenditures for federally approved improvement projects at Bradley International Airport for the year ended June 30, 2015:

| | |
|---|----------------------|
| Passenger facility rental facility charge revenue | \$ 12,142,801 |
| Interest income | <u>105,087</u> |
| | <u>\$ 12,247,888</u> |

NOTE 9 - LEASES

Substantial amounts of real property are leased to various airlines and other tenants. The leases consist of month-to-month, cancelable space and use permits and noncancelable operating leases for land, buildings and terminal space. The leases expire over the next 41 years.

Bradley International Airport Fund

Future minimum rental income on noncancelable operating leases for the next five years based on forecasted space usage as negotiated with individual air carriers is as follows:

Year Ending June 30

| | |
|------|-----------------------|
| 2016 | \$ 37,497,881 |
| 2017 | 36,446,372 |
| 2018 | 29,737,580 |
| 2019 | 29,212,757 |
| 2020 | <u>29,036,417</u> |
| | <u>\$ 161,931,007</u> |

Future minimum rental income for fiscal years ending June 30, 2016 through June 30, 2020 are estimated using minimum guarantee payment schedules outlined in the leases, as well as estimated consumer price index adjustments.

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

General Aviation Airports Fund

Future minimum rental income on noncancelable operating leases for the next five years based on forecasted space usage as negotiated with individual air carriers is as follows:

Year Ending June 30

| | | |
|------|----|-------------------------|
| 2016 | \$ | 615,238 |
| 2017 | | 589,808 |
| 2018 | | 545,276 |
| 2019 | | 503,405 |
| 2020 | | <u>501,973</u> |
| | \$ | <u><u>2,755,700</u></u> |

Future minimum rental income for fiscal years ending June 30, 2016 through June 30, 2020 are estimated using minimum guarantee payment schedules outlined in the leases, as well as estimated consumer price index adjustments.

NOTE 10 - PENSION PLAN

Plan Description

Eligible employees of the Authority participate in the State Employees' Retirement System (SERS). SERS is the single employer defined benefit pension plan of the State of Connecticut's primary government and its component units, covering substantially all of the full-time employees who are not eligible for another state-sponsored retirement plan. The plan is administered by the State Employees' Retirement Commission and governed by Sections 5-152 to 5-192 of the Connecticut General Statutes.

Benefits Provided

The Plan provides retirement, disability and death benefits. Employees are covered under one of four tiers, depending on when they were hired. Tier I employees who retire at or after age 65 with 10 years of credited service or at or after age 55 with 25 years of service are eligible for an annual retirement benefit payable monthly for life, in an amount of 2% of the annual average earnings (which are based on the three highest years of service), subject to adjustment on receipt on social security benefits. Employees at age 55 with 10 years but less than 25 years of service, or at age 70 with 5 years of service, are entitled to a reduced benefit.

Tier II and Tier IIA employees who retire at or after age 63 with 25 years of service, or at age 65 with 10 years of service, or at age 70 with 5 years of service, or at age 55 with 10 years of service with reduced benefits are entitled an annual retirement benefit payable monthly for life, in an amount of one and one-third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. In addition, any years of service over 35 would be at one and five-eighths percent.

For Tier III employees, full retirement benefits are attained at age 63 with 25 years of service, or at age 65 with 10 years of service and are payable monthly for life in an amount equal to one and one-third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. In addition, any years of service over 35 would be at one and five-eighths percent.

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

Contributions

Tier I requires an employee contribution of either 2% or 5% of salary, depending on the plan. Tier II is a noncontributory plan. Tier IIA requires an employee contribution of 2% of salary. The Authority's contribution is determined by applying a State-mandated percentage to eligible salaries and wages.

For the June 30, 2014 valuation, there were two changes in benefit terms:

- The 2011 SEBAC Agreement changed the benefit multiplier for the portion of benefit below the breakpoint from 1.33% to 1.4%. This change was made effective for all active members who retire on or after July, 2013 in Tier II, IIA and III.
- A one-time decision was granted to members not eligible to retire by July 1, 2022 to elect to maintain the same normal retirement eligibility applicable to members eligible to retire before July 1, 2022. Employees who elected by July 1, 2013 to maintain the eligibility are required to make additional employee contributions for the length of their remaining active service with the plan. The additional contribution was up to .72% of pensionable earnings.

As of June 30, 2015, the Authority reported a liability of \$57,358,655 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the plan relative to the projected contributions of all participating governmental units. The Authority's proportion was .35817% as of June 30, 2014.

For the year ended June 30, 2015, the Authority recognized pension expense of \$4,548,591. As of June 30, 2015, the Authority reported deferred inflows of resources related to pensions of \$2,048,525 from the net difference between projected and actual investment earnings on pension plan investments. The deferred inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending June 30

| | | |
|------|----|---------|
| 2015 | \$ | 512,129 |
| 2016 | | 512,129 |
| 2017 | | 512,129 |
| 2018 | | 512,129 |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.75% |
| Salary increases | 4.0% - 20% including inflation |
| Investment rate of return | 8.0%, net of pension plan investment expense, including inflation |

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

Mortality rates were based on the RP-2000 Mortality Table for Annuitants and Non-Annuitants projected with scale AA, 15 years for men (set back 2 years) and 25 years for women (set back 1 year) for the period after service retirement and for dependent beneficiaries. For the period after disability retirement, 55% (men) and 80% (women) of the RP-2000 Disability Mortality Table is used.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetical real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of return</u> |
|-----------------------------|--------------------------|---|
| Large Cap U.S. Equities | 21.0% | 5.8% |
| Developed Non-U.S. Equities | 18.0 | 6.6 |
| Emerging Market (Non- U.S.) | 9.0 | 8.3 |
| Real Estate | 7.0 | 5.1 |
| Private Equity | 11.0 | 7.6 |
| Alternative Investments | 8.0 | 4.1 |
| Fixed Income (Core) | 8.0 | 1.3 |
| High Yield Bonds | 5.0 | 3.9 |
| Emerging Market Bonds | 4.0 | 3.7 |
| TIPS | 5.0 | 1.0 |
| Cash | 4.0 | .4 |

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the participating governmental units will be made at the actuarially determined rates in future years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term projected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total plan liability.

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

Sensitivity of the Authority’s Proportionate share of the net pension Liability to changes in the Discount Rate

The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 8%, as well as the what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (7%) or higher (9%) than the current rate.

| | <u>1% Decrease (7%)</u> | <u>Discount Rate (8%)</u> | <u>1% Increase (9%)</u> |
|--|---------------------------------|-----------------------------------|---------------------------------|
| Authority’s proportionate share of the net pension liability | \$ 68,424,637 | \$ 57,358,655 | \$ 48,052,524 |

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the plan’s annual report, which is available at osc.ct.gov/rbsd/reports.

NOTE 11 - RELATED-PARTY TRANSACTIONS

The State of Connecticut is responsible for processing the Authority’s payroll, and certain capital asset transactions involving the general aviation airports. Funds are transferred to the State on a monthly basis for this purpose.

In addition, the Authority receives certain grants and revenues that reimburse project costs incurred by the State. Such amounts are remitted to the State on a regular basis. Amounts due to the State as presented in the balance sheet totaled \$2,925,828 at June 30, 2015.

Amounts due from the State as presented in the balance sheet totaled \$5,873,547 at June 30, 2015.

NOTE 12 - POSTRETIREMENT BENEFITS

As employees of the State of Connecticut, the Authority’s personnel are eligible to receive postretirement medical and life insurance coverage. The accounting for and funding of these benefits is done on a cash basis.

The costs of these benefits to the Authority for the year ended June 30, 2015 cannot be determined because postretirement benefits are paid by the State and not charged to the Authority.

NOTE 13 - RISK MANAGEMENT

The Authority is subject to normal risks associated with its operations, including property damage, personal injury and employee dishonesty. With the exception of certain vehicle-related liabilities for which the State retains some risk, all other risks are managed through the purchase of commercial insurance as required by the various bond indentures. There have been no losses exceeding insurance coverage during the last three years.

**CONNECTICUT AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - COMMITMENTS

In August 2014, the Authority entered into a contract with a third party for the demolition of Terminal B at Bradley International Airport. The project is expected to be completed during 2016, with an estimated cost of \$19,627,000. Of the total cost, \$17,853,000 is to be funded through passenger facility charges, with the remainder to be funded through operations of Bradley International Airport. As of June 30, 2015, cost totaling \$5,252,935 have been incurred and funded through passenger facility charges and costs totaling \$151,564 have been incurred and funded through operations of Bradley International Airport. Of the accumulated costs incurred through June 30, 2015, \$5,404,499 was included within other nonoperating expenses on the statement of revenues, expenses and changes in net position for the year ended June 30, 2015.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

Net assets as of July 1, 2014 have been adjusted in order to recognize the Authority's portion of the net pension obligation and related items of the Connecticut State Employees Retirement System as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, as follows:

| <u>Net Assets</u> | <u>As Originally Reported</u> | <u>Adjustment</u> | <u>As Restated</u> |
|-------------------------------|---------------------------------------|----------------------|------------------------|
| Bradley International Airport | \$ 308,964,577 | \$ (45,502,015) | \$ 263,462,562 |
| General Aviation Airports: | | | |
| Oxford Airport | 31,516,664 | - | 31,516,664 |
| Brainard Airport | 7,983,752 | - | 7,983,752 |
| Groton/New London Airport | 30,801,714 | - | 30,801,714 |
| Danielson Airport | 1,440,589 | - | 1,440,589 |
| Windham Airport | 5,511,167 | - | 5,511,167 |
| GA Airport Administration | <u>(420,388)</u> | <u>(9,356,574)</u> | <u>(9,776,962)</u> |
| | <u>\$ 385,798,075</u> | <u>\$ 54,858,589</u> | <u>\$ 330,939,486</u> |

**CONNECTICUT AIRPORT AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
CONNECTICUT STATE EMPLOYEES RETIREMENT SYSTEM
LAST FISCAL YEAR***

| | |
|--|---------------|
| Authority's proportion of the net pension liability | 0.35817% |
| Authority's proportionate share of the net pension liability | \$ 57,358,655 |
| Authority's covered - employee payroll | \$ 12,017,000 |
| Plan fiduciary net position as a percentage of the total pension liability | 39.54% |

* The amounts presented were determined as of June 30, 2014

**CONNECTICUT AIRPORT AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST TEN FISCAL YEARS*
CONNECTICUT STATE EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2015**

| | |
|---|------------------|
| Actuarially required contribution | \$ 4,544,829 |
| Amount contributed in relation to actuarially required contribution | <u>4,544,829</u> |
| Contribution deficiency | <u>\$ -</u> |
| Authority's covered payroll | \$ 12,017,000 |
| Contributions as a percentage of covered employer payroll | 37.82% |

*Note: Information presented is as of June 30, 2014, no information prior to that is available.

**CONNECTICUT AIRPORT AUTHORITY
BRADLEY INTERNATIONAL AIRPORT FUND
BALANCE SHEETS
JUNE 30, 2015 AND 2014**

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 12,288,149 | \$ 892,051 |
| Short-term investments | 53,523,419 | 49,370,867 |
| Accounts receivable, net | 5,949,304 | 5,916,587 |
| Grants receivable | 5,396,921 | 1,485,196 |
| Restricted investments, current portion | 3,020,083 | 2,933,524 |
| Due from State | 4,534,453 | 14,024,882 |
| Prepaid expenses and other | 118,151 | 64,799 |
| Total current assets | <u>84,830,480</u> | <u>74,687,906</u> |
| Noncurrent Assets | | |
| Restricted assets: | | |
| Car rental facility | 27,787,871 | 22,535,930 |
| Passenger facility | 69,677,626 | 72,389,827 |
| Bond indenture | 11,537,002 | 9,383,676 |
| Capital assets | 266,314,476 | 275,324,735 |
| Total noncurrent assets | <u>375,316,975</u> | <u>379,634,168</u> |
| Total assets | <u>460,147,455</u> | <u>454,322,074</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Interest rate swaps | 19,290,583 | 19,645,534 |
| Deferred loss on bond refunding | 1,998,930 | 2,121,941 |
| Total deferred outflows of resources | <u>21,289,513</u> | <u>21,767,475</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 481,436,968</u> | <u>\$ 476,089,549</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Current maturities of revenue bonds | \$ 6,435,000 | \$ 6,185,000 |
| Accounts payable and accrued liabilities | 12,462,098 | 6,994,625 |
| Due to State | 946,228 | 1,803,110 |
| Revenue bond interest payable | 1,284,106 | 1,531,305 |
| Deferred revenue and other | 1,609,621 | 1,550,398 |
| Total current liabilities | <u>22,737,053</u> | <u>18,064,438</u> |
| Noncurrent Liabilities | | |
| Revenue bonds payable, less current maturities | 122,980,000 | 129,415,000 |
| Interest rate swap | 19,290,583 | 19,645,534 |
| Net pension liability | 47,575,674 | - |
| Total noncurrent liabilities | <u>189,846,257</u> | <u>149,060,534</u> |
| Total liabilities | <u>212,583,310</u> | <u>167,124,972</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Changes in projected pension investment earnings | 1,699,133 | - |
| Total Liabilities and Deferred Inflows of Resources | <u>214,282,443</u> | <u>167,124,972</u> |
| NET POSITION | | |
| Net investment in capital assets | 132,752,036 | 140,622,655 |
| Restricted for: | | |
| Capital projects | 102,498,662 | 98,681,125 |
| Debt service | 7,423,588 | 6,449,098 |
| Bond indenture requirements | 2,100,332 | 2,112,734 |
| Unrestricted | 22,379,907 | 61,098,965 |
| Total net position | <u>267,154,525</u> | <u>308,964,577</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 481,436,968</u> | <u>\$ 476,089,549</u> |

**CONNECTICUT AIRPORT AUTHORITY
BRADLEY INTERNATIONAL AIRPORT FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------|-----------------------|
| Operating Revenues | | |
| Airline revenue: | | |
| Landing fees | \$ 16,760,104 | \$ 15,759,127 |
| Airline terminal rent | 10,020,913 | 9,937,716 |
| Apron and remote aircraft parking | 3,813,858 | 3,672,452 |
| Total airline revenue | <u>30,594,875</u> | <u>29,369,295</u> |
| Nonairline revenue: | | |
| Auto parking | 10,927,728 | 10,702,968 |
| Rental cars | 8,783,025 | 8,694,763 |
| Terminal concessions | 4,000,893 | 3,945,782 |
| Land rent | 4,411,262 | 4,052,077 |
| Other concessions | 3,271,916 | 3,270,891 |
| Other operating revenue | 2,510,680 | 2,303,853 |
| Total nonairline revenue | <u>33,905,504</u> | <u>32,970,334</u> |
| Total operating revenues | <u>64,500,379</u> | <u>62,339,629</u> |
| Operating Expenses | | |
| Salaries and related expense | 19,980,965 | 19,795,988 |
| Administrative and general | 15,923,076 | 15,026,067 |
| Energy and utilities | 5,875,009 | 5,450,255 |
| Repairs and maintenance | 7,387,519 | 7,390,869 |
| Depreciation and amortization | 15,817,411 | 16,426,077 |
| Total operating expenses | <u>64,983,980</u> | <u>64,089,256</u> |
| Operating Loss | <u>(483,601)</u> | <u>(1,749,627)</u> |
| Nonoperating Revenues (Expense) | | |
| Car rental facility charge revenue | 5,514,522 | 5,191,426 |
| Passenger facility charge revenue | 12,247,888 | 11,737,745 |
| Investment income | 121,184 | 103,018 |
| Bond interest expense | (5,027,842) | (5,930,308) |
| Other nonoperating expenses | (9,955,279) | (4,962,796) |
| Actuarial pension expense | (3,772,792) | - |
| Net nonoperating revenues (expense) | <u>(872,319)</u> | <u>6,139,085</u> |
| Income (Loss) Before Capital Contributions | (1,355,920) | 4,389,458 |
| Contribution of Airports by the State | - | 299,940,038 |
| Other Capital Contributions | <u>5,047,883</u> | <u>4,635,081</u> |
| Change in Net Position | 3,691,963 | 308,964,577 |
| Net Position - Beginning of Year, as Restated | <u>263,462,562</u> | <u>-</u> |
| Net Position - End of Year | <u>\$ 267,154,525</u> | <u>\$ 308,964,577</u> |

CONNECTICUT AIRPORT AUTHORITY
COMBINING BALANCE SHEET - GENERAL AVIATION AIRPORTS FUND
JUNE 30, 2015
(With Comparative Totals for 2014)

| | 2015 | | | | | | | Total General Aviation Airports Fund | 2014 Total General Aviation Airports Fund |
|--|----------------------|---------------------|---------------------------------|----------------------|---------------------|------------------------------|---------------------------|---|---|
| | Oxford Airport | Brainard Airport | Groton New London Airport | Danielson Airport | Windham Airport | GA Airport Administration | Interfund Eliminations | | |
| ASSETS | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Cash | \$ 577 | \$ 240 | \$ 1,372 | \$ 2,824 | \$ 165 | \$ 711,680 | \$ - | \$ 716,858 | \$ 10,595 |
| Short-term investments | 30,500 | 14,500 | 54,811 | 19,950 | 5,000 | 3,637,321 | - | 3,762,082 | 2,463,298 |
| Accounts receivable, net | 68,820 | 51,697 | 36,632 | 4,303 | 7,586 | - | - | 169,038 | 94,814 |
| Grants receivable | 2,543,104 | 203,012 | 175,524 | - | 177,492 | 149,959 | - | 3,249,091 | 1,413,596 |
| Due from State | 664,382 | 53,136 | 551,601 | - | 69,975 | - | - | 1,339,094 | 705,000 |
| Prepaid expenses and other | - | - | - | - | - | 93,580 | - | 93,580 | - |
| Interfund receivables | 1,943,247 | 790,279 | 846,108 | 237,896 | 55,799 | - | (3,873,329) | - | - |
| Total current assets | <u>5,250,630</u> | <u>1,112,864</u> | <u>1,666,048</u> | <u>264,973</u> | <u>316,017</u> | <u>4,592,540</u> | <u>(3,873,329)</u> | <u>9,329,743</u> | <u>4,687,303</u> |
| Noncurrent Assets | | | | | | | | | |
| Capital assets | 35,185,087 | 7,201,496 | 28,931,838 | 1,240,391 | 5,669,703 | 169,727 | - | 78,398,242 | 74,665,196 |
| Total noncurrent assets | <u>35,185,087</u> | <u>7,201,496</u> | <u>28,931,838</u> | <u>1,240,391</u> | <u>5,669,703</u> | <u>169,727</u> | <u>-</u> | <u>78,398,242</u> | <u>74,665,196</u> |
| Total Assets | <u>\$ 40,435,717</u> | <u>\$ 8,314,360</u> | <u>\$ 30,597,886</u> | <u>\$ 1,505,364</u> | <u>\$ 5,985,720</u> | <u>\$ 4,762,267</u> | <u>\$ (3,873,329)</u> | <u>\$ 87,727,985</u> | <u>\$ 79,352,499</u> |
| LIABILITIES | | | | | | | | | |
| Current Liabilities | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 1,743,343 | \$ 241,387 | \$ 294,847 | \$ 35,486 | \$ 163,543 | \$ 588,458 | \$ - | \$ 3,067,064 | \$ 683,779 |
| Due to State | 929,312 | 203,011 | - | 132,321 | 9,446 | 705,510 | - | 1,979,600 | 1,674,699 |
| Deferred revenue and other | 41,020 | 15,927 | 76,698 | 20,060 | 5,784 | 9,643 | - | 169,132 | 160,523 |
| Interfund payables | - | - | - | - | - | 3,873,329 | (3,873,329) | - | - |
| Total current liabilities | <u>2,713,675</u> | <u>460,325</u> | <u>371,545</u> | <u>187,867</u> | <u>178,773</u> | <u>5,176,940</u> | <u>(3,873,329)</u> | <u>5,215,796</u> | <u>2,519,001</u> |
| Noncurrent Liabilities | | | | | | | | | |
| Net pension liability | - | - | - | - | - | 9,782,981 | - | 9,782,981 | - |
| Total liabilities | <u>2,713,675</u> | <u>460,325</u> | <u>371,545</u> | <u>187,867</u> | <u>178,773</u> | <u>14,959,921</u> | <u>(3,873,329)</u> | <u>14,998,777</u> | <u>2,519,001</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | |
| Changes in projected pension investment earnings | - | - | - | - | - | 349,392 | - | 349,392 | - |
| Total Liabilities and Deferred Inflows of Resources | <u>2,713,675</u> | <u>460,325</u> | <u>371,545</u> | <u>187,867</u> | <u>178,773</u> | <u>15,309,313</u> | <u>(3,873,329)</u> | <u>15,348,169</u> | <u>2,519,001</u> |
| NET POSITION | | | | | | | | | |
| Net investment in capital assets | 35,185,087 | 7,201,496 | 28,931,838 | 1,240,391 | 5,669,703 | 169,727 | - | 78,398,242 | 74,665,196 |
| Restricted for: | | | | | | | | | |
| Capital projects | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Bond indenture requirements | - | - | - | - | - | - | - | - | - |
| Unrestricted | 2,536,955 | 652,539 | 1,294,503 | 77,106 | 137,244 | (10,716,773) | - | (6,018,426) | 2,168,302 |
| Total net position | <u>37,722,042</u> | <u>7,854,035</u> | <u>30,226,341</u> | <u>1,317,497</u> | <u>5,806,947</u> | <u>(10,547,046)</u> | <u>-</u> | <u>72,379,816</u> | <u>76,833,498</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 40,435,717</u> | <u>\$ 8,314,360</u> | <u>\$ 30,597,886</u> | <u>\$ 1,505,364</u> | <u>\$ 5,985,720</u> | <u>\$ 4,762,267</u> | <u>\$ (3,873,329)</u> | <u>\$ 87,727,985</u> | <u>\$ 79,352,499</u> |

CONNECTICUT AIRPORT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - GENERAL AVIATION AIRPORTS FUND
FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

| | 2015 | | | | | | Total General Aviation Airports Fund | 2014 Total General Aviation Airports Fund |
|--|----------------------|---------------------|---------------------------------|----------------------|---------------------|------------------------------|---|---|
| | Oxford Airport | Brainard Airport | Groton New London Airport | Danielson Airport | Windham Airport | GA Airport Administration | | |
| Operating Revenues | | | | | | | | |
| Airline revenue: | | | | | | | | |
| Landing fees | \$ 54,481 | \$ 7,065 | \$ 15,189 | \$ - | \$ - | \$ - | \$ 76,735 | \$ 88,683 |
| Airline terminal rent | - | - | 12,520 | - | - | - | 12,520 | 6,082 |
| Apron and remote aircraft parking | 70,099 | 60,390 | 24,930 | 13,510 | 30,430 | - | 199,359 | 201,797 |
| Total airline revenue | <u>124,580</u> | <u>67,455</u> | <u>52,639</u> | <u>13,510</u> | <u>30,430</u> | <u>-</u> | <u>288,614</u> | <u>296,562</u> |
| Nonairline revenue: | | | | | | | | |
| Rental cars | 41,489 | - | 83,344 | - | - | - | 124,833 | 85,246 |
| Land rent | 345,849 | 369,317 | 307,464 | 35,879 | 55,008 | - | 1,113,517 | 1,081,918 |
| Other operating revenue | 580,714 | 36,010 | 222,701 | 116,042 | 6,234 | 3,450 | 965,151 | 858,175 |
| Total nonairline revenue | <u>968,052</u> | <u>405,327</u> | <u>613,509</u> | <u>151,921</u> | <u>61,242</u> | <u>3,450</u> | <u>2,203,501</u> | <u>2,025,339</u> |
| Total operating revenues | <u>1,092,632</u> | <u>472,782</u> | <u>666,148</u> | <u>165,431</u> | <u>91,672</u> | <u>3,450</u> | <u>2,492,115</u> | <u>2,321,901</u> |
| Operating Expenses | | | | | | | | |
| Salaries and related expense | 575,776 | 826,459 | 664,815 | - | - | 2,072,067 | 4,139,117 | 3,754,743 |
| Administrative and general | 63,183 | 51,186 | 278,940 | 33,604 | 29,268 | 91,239 | 547,420 | 584,091 |
| Energy and utilities | 59,963 | 64,797 | 126,729 | 15,713 | 20,659 | 450 | 288,311 | 259,798 |
| Repairs and maintenance | 102,478 | 81,861 | 107,784 | 194,170 | 153,486 | 33,360 | 673,139 | 677,795 |
| Depreciation and amortization | 932,803 | 597,852 | 1,580,714 | 132,028 | 526,487 | 390 | 3,770,274 | 3,986,997 |
| Total operating expenses | <u>1,734,203</u> | <u>1,622,155</u> | <u>2,758,982</u> | <u>375,515</u> | <u>729,900</u> | <u>2,197,506</u> | <u>9,418,261</u> | <u>9,263,424</u> |
| Operating Loss | <u>(641,571)</u> | <u>(1,149,373)</u> | <u>(2,092,834)</u> | <u>(210,084)</u> | <u>(638,228)</u> | <u>(2,194,056)</u> | <u>(6,926,146)</u> | <u>(6,941,523)</u> |
| Nonoperating Revenues (Expense) | | | | | | | | |
| Investment income | - | - | - | - | - | 5,430 | 5,430 | 1,612 |
| Other nonoperating expenses | (141,100) | (16,374) | (3,011) | (2,897) | (140,104) | (347,573) | (651,059) | (832,138) |
| State operating subsidies | 971,093 | 783,229 | 1,085,154 | 89,889 | 191,872 | 2,041,527 | 5,162,764 | 5,144,738 |
| Actuarial pension expense | - | - | - | - | - | (775,799) | (775,799) | - |
| Net nonoperating revenues | <u>829,993</u> | <u>766,855</u> | <u>1,082,143</u> | <u>86,992</u> | <u>51,768</u> | <u>923,585</u> | <u>3,741,336</u> | <u>4,314,212</u> |
| Income (Loss) Before Capital Contributions | <u>188,422</u> | <u>(382,518)</u> | <u>(1,010,691)</u> | <u>(123,092)</u> | <u>(586,460)</u> | <u>(1,270,471)</u> | <u>(3,184,810)</u> | <u>(2,627,311)</u> |
| Contribution of Airports by the State | - | - | - | - | - | - | - | 71,244,126 |
| Other Capital Contributions | <u>6,016,956</u> | <u>252,801</u> | <u>435,318</u> | <u>-</u> | <u>882,240</u> | <u>500,387</u> | <u>8,087,702</u> | <u>8,216,683</u> |
| Change in Net Position | <u>6,205,378</u> | <u>(129,717)</u> | <u>(575,373)</u> | <u>(123,092)</u> | <u>295,780</u> | <u>(770,084)</u> | <u>4,902,892</u> | <u>76,833,498</u> |
| Net Position - Beginning of Year, as Restated | <u>31,516,664</u> | <u>7,983,752</u> | <u>30,801,714</u> | <u>1,440,589</u> | <u>5,511,167</u> | <u>(9,776,962)</u> | <u>67,476,924</u> | <u>-</u> |
| Net Position - End of Year | <u>\$ 37,722,042</u> | <u>\$ 7,854,035</u> | <u>\$ 30,226,341</u> | <u>\$ 1,317,497</u> | <u>\$ 5,806,947</u> | <u>\$ (10,547,046)</u> | <u>\$ 72,379,816</u> | <u>\$ 76,833,498</u> |

**CONNECTICUT AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGE EXPENDITURES - BRADLEY INTERNATIONAL AIRPORT
FOR THE QUARTERS ENDED SEPTEMBER 30, 2014, DECEMBER 31, 2014,
MARCH 31, 2015 AND JUNE 30, 2015**

| Project Description | Cumulative Expenditures through June 30, 2014 | Net Expenditures for the Quarter Ended | | | | Cumulative Expenditures through June 30, 2015 | Approved Amount |
|---|---|--|---------------------|---------------------|---------------------|---|-----------------------|
| | | September 30, 2014 | December 31, 2014 | March 31, 2015 | June 30, 2015 | | |
| Terminal building and concourse | \$ 11,601,050 | \$ - | \$ - | \$ - | \$ - | \$ 11,601,050 | a \$ 207,373,251 |
| Purchase and install jetways | - | - | - | - | - | - | b 23,750,895 |
| Terminal building apron | - | - | - | - | - | - | c 18,645,121 |
| Terminal roadways and glycol piping | - | - | - | - | - | - | d 7,765,140 |
| Debt service payments | 78,140,809 | 4,794,675 | - | 1,878,564 | - | 84,814,048 | *** |
| | <u>89,741,859</u> | <u>4,794,675</u> | - | <u>1,878,564</u> | - | <u>96,415,098</u> | <u>257,534,407</u> |
| Construction of taxiway | 1,043,000 | - | - | - | - | 1,043,000 | 1,043,000 |
| Equipment acquisition | 3,263,971 | - | - | - | - | 3,263,971 | 3,263,971 |
| Glycol collection facility | 14,659,913 | - | - | - | - | 14,659,913 | 14,659,913 |
| Surface monitoring system | 45,914 | - | - | - | - | 45,914 | 45,914 |
| New aircraft ramps | 1,226,394 | - | - | - | - | 1,226,394 | 1,226,394 |
| Terminal B roadway system | 3,036,483 | - | - | - | - | 3,036,483 | 3,036,483 |
| Peak mountain lights | 715,438 | - | - | - | - | 715,438 | 715,438 |
| Design of glycol collection system | 1,807,806 | - | - | - | - | 1,807,806 | 1,808,894 |
| Snow removal equipment | 1,848,891 | - | - | - | - | 1,848,891 | 1,848,891 |
| Security fencing | 306,448 | - | - | - | - | 306,448 | 306,448 |
| New firehouse | 378,950 | - | - | - | - | 378,950 | 378,950 |
| Remote ramp lights | 471,174 | - | - | - | - | 471,174 | 471,174 |
| New maintenance garage | 6,257,923 | - | - | - | - | 6,257,923 | 6,257,923 |
| Taxiway S East | 4,557,853 | - | - | - | - | 4,557,853 | 4,557,854 |
| ARFF 300 Gal | 1,049,896 | - | - | - | - | 1,049,896 | 1,102,000 |
| Security improvements and training system | 3,027,775 | - | - | - | - | 3,027,775 | 3,050,000 |
| Reconstruction T/W E&T and relocate R/W1 | 1,399,312 | - | - | - | - | 1,399,312 | 1,399,531 |
| Reconstruct L, T and M | 965,858 | - | - | - | - | 965,858 | 975,043 |
| Reconstruction of Runway 6-24 | 3,685,046 | - | - | - | - | 3,685,046 | 3,967,768 |
| Construction of Taxiway W off RW 15 | 715,286 | - | - | - | - | 715,286 | 715,288 |
| Purchase of two mobile Glycol Collection Units | 762,256 | - | - | - | - | 762,256 | 762,256 |
| Pilot Noise Insulation Program | 556,919 | - | - | - | - | 556,919 | 633,406 |
| Residential Sound Insulation Program-Pkg 1 2B | 265,479 | - | - | - | - | 265,479 | 270,644 |
| Residential Sound Insulation Program-Pkg 2 2B | 242,260 | - | - | - | - | 242,260 | 261,723 |
| Residential Sound Installation Program | - | - | - | - | - | - | 284,227 |
| Purchase Two ARFF Trucks | 1,444,871 | - | - | - | - | 1,444,871 | 1,475,000 |
| Design of Airfield Lighting Vault | 750,000 | - | - | - | - | 750,000 | 1,100,000 |
| Installation of Co-Gen Engine | 2,520,000 | - | - | - | - | 2,520,000 | 2,664,965 |
| Residential Sound Installation Program (165-450NP) 2C | 346,586 | - | - | - | - | 346,586 | 347,848 |
| Residential Sound Installation Program (165-450NC) 2C | 277,152 | - | - | - | - | 277,152 | 277,152 |
| Relocate Airfield Lighting Vault | 2,971,439 | - | 150,649 | - | - | 3,122,088 | 3,500,000 |
| New Term Dev Schematic PE Study and Des | 657,152 | - | - | - | - | 657,152 | 698,181 |
| Replace Two 1997 Snow Blower Attachments | - | - | - | - | - | - | 220,000 |
| Replace Two 1997 Snow Broom Attachments | - | - | - | - | - | - | 200,000 |
| Residential Sound Installation Program - (165-450NC) 2C | 605,207 | - | - | - | - | 605,207 | 706,892 |
| Residential Sound Installation Program | - | - | - | - | - | - | 168,108 |
| Purchase Land for Bird Mitigation | - | - | - | - | 1,271,519 | 1,271,519 | 1,271,519 |
| Rehabilitate Taxiway C North Design | 83,903 | - | - | - | - | 83,903 | 238,702 |
| Installation of Emergency Power for Security | 13,319 | - | - | - | - | 13,319 | 24,500 |
| Replace Upper and Lower Level Vestibule Doors | - | - | - | - | - | - | 150,000 |
| Refurbish Two Outbound Conveyors | - | - | - | - | - | - | 25,000 |
| Installation of Barriers in Front of Terminal | - | - | - | - | - | - | 50,000 |
| Terminal Demolition Design | - | - | - | 1,210,772 | 224,458 | 1,435,230 | 1,435,230 |
| New Roadway System Design | - | - | 228,029 | 120,657 | 354,153 | 702,839 | 1,057,556 |
| Rehabilitate Taxiway C North | - | - | 154,799 | 1,094,739 | - | 1,249,538 | 1,333,441 |
| FIDS Monitor Replacement | - | - | - | 172,000 | - | 172,000 | 179,000 |
| Install 4 Microphone Systems for Audio Paging System | - | - | - | 20,000 | - | 20,000 | 20,000 |
| Residential Sound Installation Program | - | - | - | - | - | - | 240,000 |
| Rehabilitate Taxiways S West, U & J | - | - | - | 9,090 | - | 9,090 | 2,500,000 |
| Design for the Rehabilitate Taxiways E & F (165-002) | - | - | 3,498 | - | 225,580 | 229,078 | 350,000 |
| Demolition of Term B | - | - | - | 907,924 | 1,502,460 | 2,410,385 | 16,028,238 |
| Purchase of Structural Pumper | - | - | 636,523 | - | - | 636,523 | 835,569 |
| Purchase of 4 Snow Removal Equipment Vehicles | - | - | - | - | - | - | 3,200,000 |
| Purchase 9-ton Truck | - | - | - | - | - | - | 155,000 |
| | <u>\$ 151,701,733</u> | <u>\$ 4,794,675</u> | <u>\$ 1,173,498</u> | <u>\$ 5,413,746</u> | <u>\$ 3,578,171</u> | <u>\$ 166,661,822</u> | <u>\$ 351,029,441</u> |

*** Represents the debt service on items a, b, c and d, which are being funded with the proceeds of the \$194,000,000 Series 2001A Bonds



Accounting | Tax | Business Consulting

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Ms. Mary Ellen S. Jones, Chair
Connecticut Airport Authority
Windsor Locks, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each fund of the Connecticut Airport Authority (the Authority) (a component unit of the State of Connecticut), which comprise the balance sheet as of June 30, 2015 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting, described below. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Accounting for Federal Grant Revenue

| | |
|--|---|
| Criteria | For cost reimbursement grants, grant revenue is recognized to the extent that allowable expenditures have been incurred. |
| Condition | The Authority accrued construction costs on projects funded by federal grants, but did not accrue the resulting additional grant revenue and receivables. |
| Context | The auditor initiated an entry to accrue federal grant revenue totaling \$4,322,155. |
| Effect | The effect is grant revenue and receivables were understated, before the correcting entry was posted. |
| Cause | Management did not believe that the Authority was entitled to grant revenue until the allowable costs were paid. |
| Recommendation | We recommend that grant revenue be accrued on the basis of allowable costs incurred going forward. |
| Management Response and Planned Corrective Action | Management appreciates the clarification and will accrue grant revenue based on allowable costs incurred in the future. |

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described above. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 19, 2015



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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on the Passenger Facility Charge Program and on Internal Control over Compliance

Ms. Mary Ellen S. Jones, Chair
Connecticut Airport Authority
Windsor Locks, Connecticut

Report on Compliance

We have audited the compliance of Connecticut Airport Authority (the Authority) (a component unit of the State of Connecticut) with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on its passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 19, 2015