

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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## Independent Auditors' Report

Mr. Charles Gray, 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, 2016 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, 2016 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 26 and the schedules of net pension liability and contributions on pages 48 to 49 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 statements of the Authority as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated October 19, 2015, 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, 2015 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 2015 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 2015 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, 2015.

#### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, during the year ended June 30, 2016, the Authority adopted GASB Statement No. 72 - *Fair Value Measurement and Application*. Adoption of the statement had no effect on The Authority's net assets as of July 1, 2015. Our opinion is not modified with respect to this matter.

#### *Emphasis of Matter*

As discussed in Note 15 to the financial statements, during the year ended June 30, 2016, the Authority has restated its 2015 financial statements during the current year to correct a misstatement. 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 10, 2016 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 10, 2016

**CONNECTICUT AIRPORT AUTHORITY**  
**JUNE 30, 2016**

**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, 2016. 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 airport 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 Airport'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 (CFC's).

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 2016, Bradley financially outperformed budget expectations. Total operating revenue was 3.2% less than budget while operating & maintenance expenses excluding depreciation were 11.2% less than budget. Compared to FY 2015, total operating revenue increased 3.7% to \$66.9 million while total operating expenses before depreciation decreased 1.1% to \$48.6 million. Income before depreciation increased 19.3% to \$18.3 million. Net non-operating revenue (expense) increased from a net non-operating expense of \$872 in 2015 to net non-operating revenue of \$5,025 in FY 2016. This increase is largely due to growth in Customer Facility Charge (CFC) revenue and a change from a \$3,773 actuarial pension expense in FY 2015 to a \$439 actuarial pension gain in FY 2016. Total net position at year end totaled \$276.4 million, a 3.5% increase over FY 2015. Total assets increased by \$4.6 million or 1% and total liabilities increased by \$241 or 0.1%. Bradley generated debt service coverage of 327.8%, which is well above the 120.0% required by bond indenture.

An increase in passenger traffic was again realized in FY 2016 for the third 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 2015, enplanements increased 4.4% over the prior year and in FY 16 enplanements increased an additional 0.23% compared to FY 2015. The 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.

### 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 \$9,247 in fiscal year 2016. This is the result of an increase in total assets of \$4,568 and offset by an increase in total liabilities of \$241. The increase in total assets was largely driven by an increase in short term investments as well as growth in Customer Facility Charge (CFC) investment balances. The growth in short-term investments reflects increases to the airport's unrestricted reserve balances. Included in Table 1, pursuant to GASB reporting guidelines, are the fair values at June 30, 2016 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.

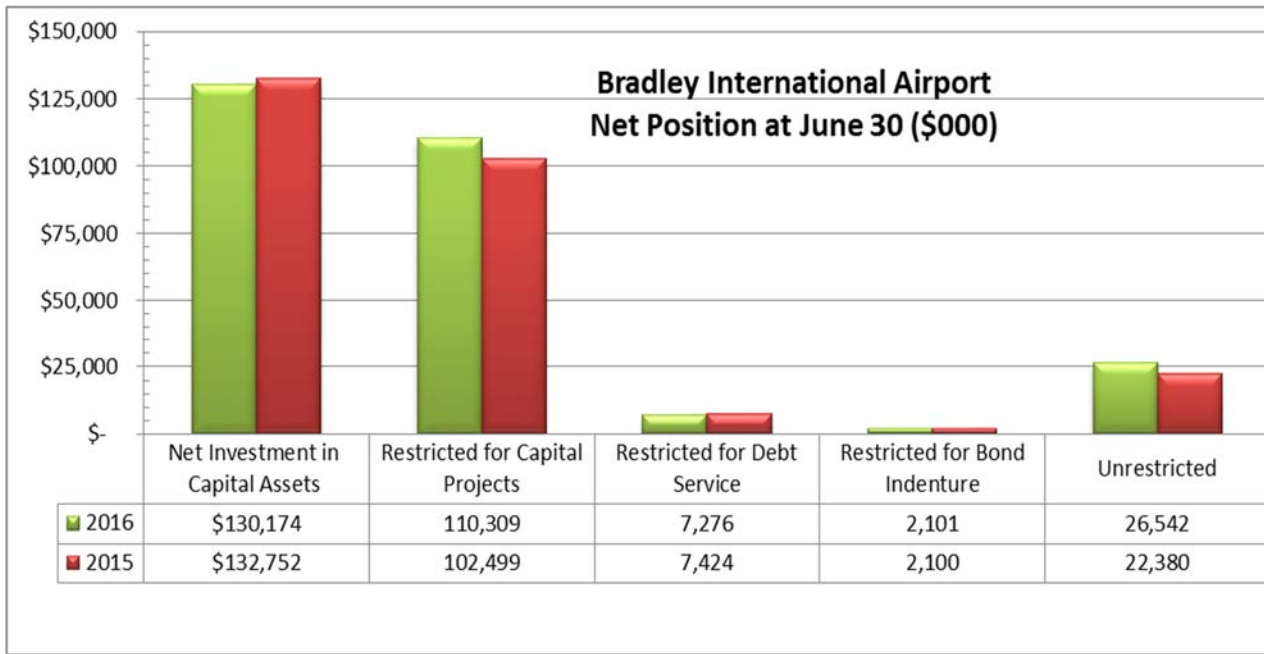
Table 1 also indicates that Bradley's assets exceeded its liabilities by \$276,402 as of June 30, 2016. This net position includes \$130,173 invested in capital assets net of related debt (a decrease of 1.9%), assets restricted for PFC and bond indenture purposes of \$119,686 (an increase of 6.8%) and unrestricted assets of \$26,452 (an increase of 18.6%).

***As of June 30, 2016, total revenue bonds payable less current maturities of \$116,290 equate to \$39.09 per enplaned passenger based on fiscal year 2016 enplaned passengers of 2,975, a 6% decrease from FY 2015 bonds payable of \$41.43 per enplaned passenger.***



**TABLE 1**  
**BALANCE SHEET**  
**JUNE 30, 2016 AND 2015**  
**(In thousands)**

	2016 - 2015			
	2016	2015	Change (\$)	Change (%)
<b>ASSETS</b>				
Current and Other Assets	\$ 208,557	\$ 193,834	\$ 14,723	7.6%
Net Capital Assets	256,159	266,314	(10,155)	-3.8%
<b>TOTAL ASSETS</b>	<b>464,716</b>	<b>460,148</b>	<b>4,568</b>	<b>1.0%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Interest Rate Swap	23,871	19,290	4,581	23.7%
Deferred Loss on Bond refunding	1,876	1,999	(123)	-6.2%
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 490,463</b>	<b>\$ 481,437</b>	<b>\$ 9,026</b>	<b>17.6%</b>
<b>LIABILITIES</b>				
Long-term Debt Outstanding	\$ 116,290	\$ 122,980	\$ (6,690)	-5.4%
Other Liabilities	25,065	22,737	2,328	10.2%
Interest Rate Swap	23,871	19,290	4,581	23.7%
Net Pension Liability	47,598	47,576	22	0.0%
<b>TOTAL LIABILITIES</b>	<b>212,824</b>	<b>212,583</b>	<b>241</b>	<b>0.1%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Change in Projected Pension Investment Earnings	1,238	1,699	(461)	-27.1%
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>214,061</b>	<b>214,282</b>	<b>(221)</b>	<b>-0.1%</b>
<b>NET POSITION</b>				
Net Investments in Capital Assets	130,173	132,752	(2,579)	-1.9%
Restricted	119,687	112,023	7,664	6.8%
Unrestricted	26,542	22,380	4,162	18.6%
<b>Total Net Position</b>	<b>276,402</b>	<b>267,155</b>	<b>9,247</b>	<b>3.5%</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 490,463</b>	<b>\$ 481,437</b>	<b>\$ 9,026</b>	<b>1.9%</b>
<b>Net Position at June 30</b>				
Net Investment in Capital Assets	\$ 130,173	\$ 132,752	\$ (2,579)	-1.9%
Restricted for Capital Projects	110,309	102,499	7,810	7.6%
Restricted for Debt Service	7,277	7,424	(147)	-2.0%
Restricted for Bond Indenture	2,101	2,100	1	0.0%
Unrestricted	26,542	22,380	4,162	18.6%
<b>Total Net Position*</b>	<b>\$ 276,402</b>	<b>\$ 267,155</b>	<b>\$ 9,247</b>	<b>3.5%</b>



### Changes in Net Position

The increase in net position shown on Table 1 was generated from the activity shown on Table 2, Changes in Net Position for the Year Ended June 30, 2016. Changes in net position represent the operating results of Bradley. The change in net position for FY 2016 is \$9,247 compared to \$3,692 in FY 2015. Overall for FY 2016 total net position increased by 3.5%.

The Airport experienced operating income before capital contributions in FY 2016. Operating revenues increased by \$2,417 or 3.7%. The increase in revenues was mostly due to an increase in landing fees and land and building rent. Operating expenses before depreciation decreased \$550 or 1.1% compared to FY 2015. Decreases were experienced in repairs and maintenance as well as utilities. Depreciation and amortization increased \$540 or 3.4% over FY 2015 resulting in operating income of \$1,943.

**TABLE 2**  
**CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(In Thousands)

	2016	2015	2016 - 2015	
			Change (\$)	Change (%)
<b>OPERATING REVENUES</b>				
Landing Fees	\$ 18,071	\$ 16,760	\$ 1,311	7.8%
Airline Terminal Rent	9,774	10,021	(247)	-2.5%
Aircraft Parking	3,832	3,814	18	0.5%
Auto Parking	11,157	10,928	229	2.1%
Rental Cars	8,798	8,783	15	0.2%
Terminal Concessions	4,026	4,001	25	0.6%
Land and Building Rent	5,152	4,411	741	16.8%
Other Concessions	3,508	3,272	236	7.2%
Other Operating Revenue	2,598	2,510	88	3.5%
<b>TOTAL OPERATING REVENUES</b>	<b>66,917</b>	<b>64,500</b>	<b>2,417</b>	<b>3.7%</b>
<b>OPERATING EXPENSES</b>				
Salaries and Related Expenses	20,822	19,981	841	4.2%
Administrative and General	16,509	15,923	586	3.7%
Repairs and Maintenance	6,346	7,388	(1,042)	-14.1%
Utilities	4,939	5,875	(936)	-15.9%
<b>OPER EXPENSE BEFORE DEPRECIATION</b>	<b>48,617</b>	<b>49,167</b>	<b>(550)</b>	<b>-1.1%</b>
<b>OPER INCOME BEFORE DEPRECIATION</b>	<b>18,300</b>	<b>15,333</b>	<b>2,967</b>	<b>19.3%</b>
Depreciation and Amortization	16,357	15,817	540	3.4%
<b>OPERATING INCOME (LOSS)</b>	<b>1,943</b>	<b>(484)</b>	<b>2,427</b>	<b>-501.4%</b>
<b>NONOPERATING REVENUES(EXPENSES)</b>				
Car Rental Facility Charge Revenue	8,928	5,515	3,413	61.9%
Passenger Facility Charge Revenue	12,063	12,248	(367)	-3.0%
Investment Income	238	121	117	97.0%
Revenue Bond Interest Expense	(4,919)	(5,028)	109	-2.2%
Other Non-Operating Expenses	(10,261)	(9,955)	(306)	3.1%
Airline Net Rev Share Exp	(1,463)	-	(1,463)	-100.0%
Actuarial Pension Expense	439	(3,773)	4,212	-111.6%
<b>NET NONOPERATING REVENUES (EXPENSE)</b>	<b>5,025</b>	<b>(872)</b>	<b>5,897</b>	<b>-676.3%</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>6,968</b>	<b>(1,356)</b>	<b>8,324</b>	<b>-613.8%</b>
<b>CAPITAL CONTRIBUTIONS</b>				
	2,279	5,048	(2,769)	-54.9%
Change in Net Position	9,247	3,692	5,555	150.4%
Total Net Position, Beginning of Year (as restated)	267,155	263,463	3,692	1.4%
Total Net Position, End of Year	<b>\$ 276,402</b>	<b>\$ 267,155</b>	<b>\$ 9,247</b>	<b>3.5%</b>

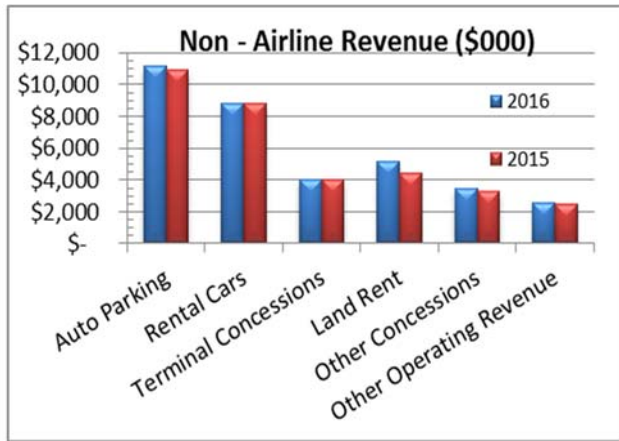
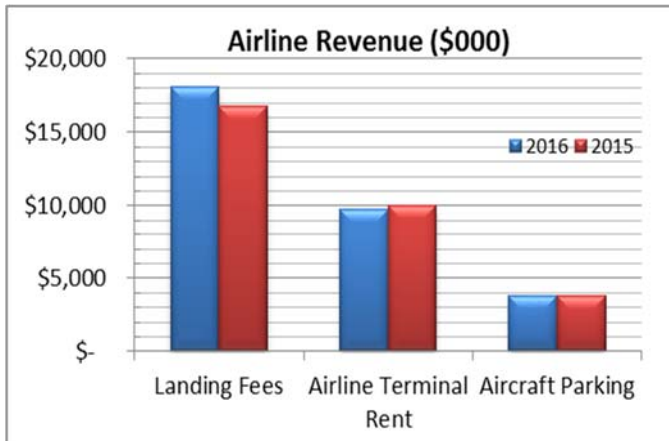
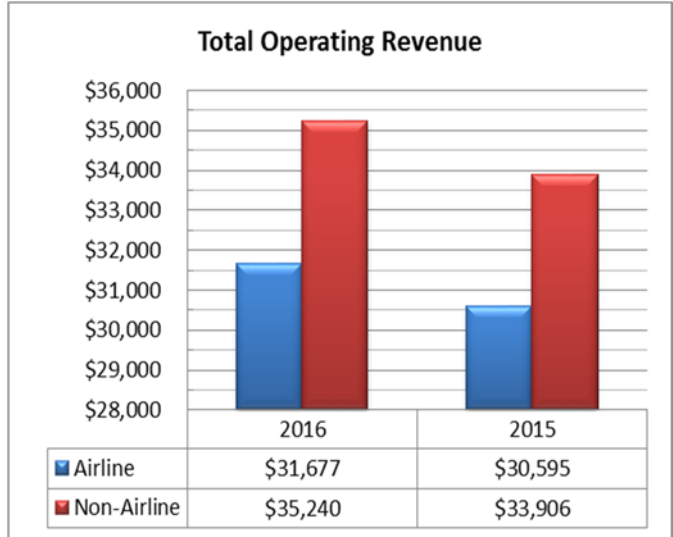
## BRADLEY INCOME

As indicated on Table 2, Bradley generated operating income before depreciation of \$18,300 and increased its net position by \$9,247 in fiscal year 2016. The operating and non-operating revenues and expenditures associated with this income are addressed below.

### Operating Revenues

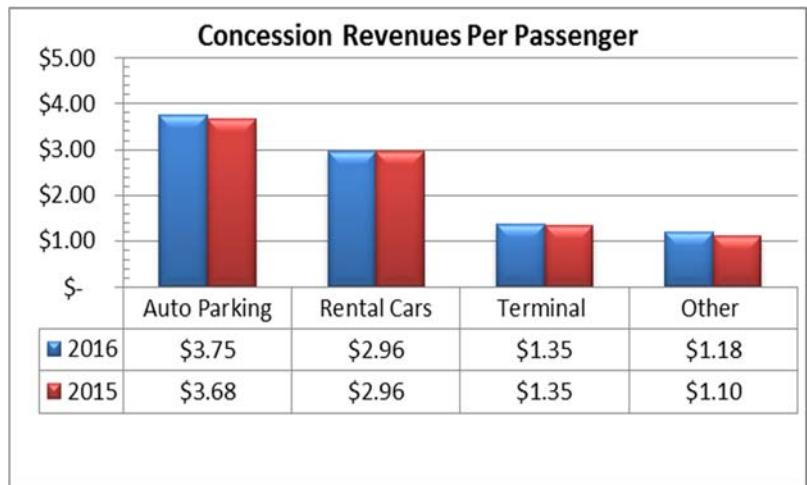
Operating revenues for fiscal year 2016 totaled \$66,917, an increase of \$2,417 or 3.7% from fiscal year 2015. Operating revenues are segregated between airline and non-airline sources. Airline revenues were \$31,677 or 47.3% of total operating revenue, and non-airline revenues were \$35,240 or 52.7% of total operating revenue as shown at right and in greater detail below.

Airline revenues increased by \$1,082 or 3.5% from fiscal year 2015 to fiscal year 2016. 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 fiscal year 2016 operating expense budget of \$54,752 reflected a 4.9% increase in operating expenses over the fiscal year 2015 operating budget, which was appropriately reflected in budgeted airline rates and charges.



**Deducting cargo airline landing fees of \$3,667 from total airline revenue of \$31,677 results in passenger airline revenue of \$28,010. This equates to a fiscal year 2016 Cost per Enplaned Passenger (CPE) of \$8.92 based on fiscal year 2016 enplaned passengers of 2,975, a 3.0% decrease from the fiscal year 2015 CPE of \$9.20.**

Total non-airline revenues increased by \$1,334 or 3.9% from fiscal year 2015. 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 \$27,490. The largest source of concession revenue is vehicle parking operations which totaled \$11,157. 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 \$27,490 equates to \$9.24 per enplaned passenger based on fiscal year 2016 enplaned passengers of 2,975, a 1.6% increase from fiscal year 2015 concession revenue per enplaned passenger of \$9.09. The division of revenues per passenger among the various concessions is shown above.**

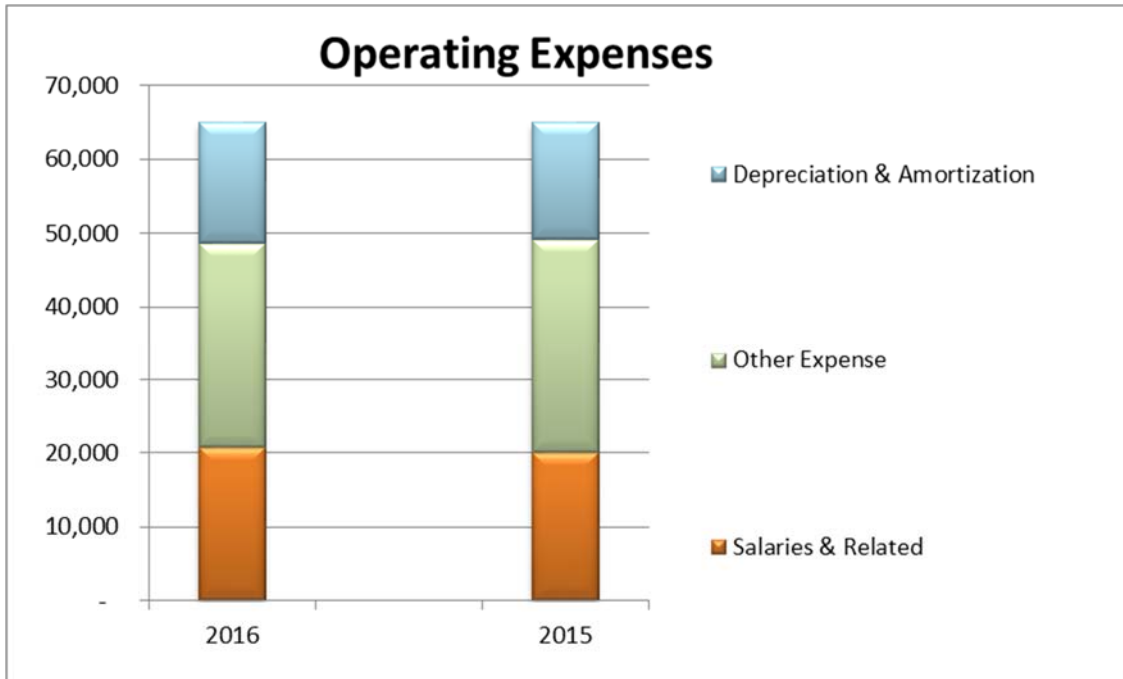
### Operating Expenses

Operating expenses in fiscal year 2016 totaled \$64,974, a decrease of \$10 from fiscal year 2015. Operating expenses include salaries and related expenses, security costs, administration costs, repairs & maintenance, energy and utilities, and depreciation. The distribution and comparison of fiscal year 2016 and fiscal year 2015 operating expenses is shown in Table 3.

As indicated on Table 3, an increase in salaries, other payroll, fringe benefits, along with increases in the other expense categories for security and administrative & general are offset by decreases in overtime, repairs and maintenance, and utilities. The decrease in overtime is mainly due to experiencing a mild winter. This is also true for the decrease in repairs and maintenance. Savings in winter storm costs along with savings in contract services and motor vehicle supplies were experienced in repairs and maintenance. The decrease in utilities is due to lower operating management fees for the Bradley cogeneration facility. Depreciation and amortization increased by \$540 or 3.4% over fiscal year 2015

**TABLE 3**  
**OPERATING EXPENSES**  
**JUNE 30, 2016 AND 2015**  
**(In thousands)**

	<b>2016 - 2015</b>			
	<b>2016</b>	<b>2015</b>	<b>Change (\$)</b>	<b>Change (%)</b>
<b>Salaries &amp; Related</b>				
Salaries	\$ 10,107	\$ 9,568	\$ 539	5.6%
Overtime	825	1,392	(567)	-40.8%
Other Payroll	411	(18)	429	-2382.6%
Fringe Benefit	9,480	9,039	441	4.9%
<b>Salaries &amp; Related</b>	<b>20,822</b>	<b>19,981</b>	<b>841</b>	<b>4.2%</b>
<b>Other Expense</b>				
Payment In Lieu of Tax	4,679	4,679	(0)	0.0%
Security	7,481	7,188	293	4.1%
Administrative & General Costs	4,349	4,057	292	7.2%
Repairs and Maintenance	6,346	7,387	(1,040)	-14.1%
Utilities	4,939	5,875	(936)	-15.9%
<b>Other Expense</b>	<b>27,794</b>	<b>29,186</b>	<b>(1,391)</b>	<b>-4.8%</b>
<b>Expenses Before Depreciation</b>	<b>48,617</b>	<b>49,167</b>	<b>(550)</b>	<b>-1.1%</b>
Depreciation & Amortization	16,357	15,817	540	3.4%
<b>Total Operating Expenses</b>	<b>\$ 64,974</b>	<b>\$ 64,984</b>	<b>\$ (10)</b>	<b>0.0%</b>



## **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, other non-operating expenses, actuarial pension expense, and airline net revenue share expense. 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 2016, Bradley collected total PFCs (excluding PFC interest) of \$11,881, a decrease of 2.2% from fiscal year 2015. Bradley is also authorized by contract with the rental car companies to assess a CFC per rental car transaction day. As of August 1, 2015 this rate was increased from \$3.50 to \$6.00 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 2016 totaled \$8,837 (excluding interest), an increase of 61.3%. Investment income from all accounts totaled \$511, a 94.6% increase from fiscal year 2015 investment income of \$263. Investments 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 fiscal year 2016 totaled \$4,919 a decrease of 2.2%. Non-operating other expenses for fiscal year 2016 equaled \$10,261 which is a 3.1% increase over fiscal year 2015. The CAA recently executed a new Airline Operating Agreement and Terminal Building Lease with the signatory air carriers at Bradley airport which was effective July 1, 2015. The new lease provides for the potential sharing of net revenues with the airlines. If enough net revenue is available (excluding restricted sources such as PFC's and CFC's) after all operating expenses and bond costs are satisfied, those net revenues are shared with the airline pursuant to a formula outlined in the airline lease. For FY 2016, the airlines will share in \$1,463 which is reflected as a non-operating expense to the airport. The change in actuarial pension expense from FY 2015 to FY 2016 was also a large driver of change in overall non-operating revenue (expense). In FY 2015, the airport realized \$3.8 million in actuarial pension expense, whereas in FY 2016 the airport realized a \$439 actuarial pension gain. Overall net non-operating revenues (expense) increased \$5,897 over FY 2015. Overall net income before capital contributions for fiscal year 2016 equaled \$6,968. Net income along with capital contributions of \$2,279 increased net position for the airport by \$9,247.

## **CAPITAL CONTRIBUTIONS**

Total FY 2016 capital contributions equaled \$2,279, a decrease of \$2,769 from fiscal year 2015 capital contributions of \$5,048.

All of fiscal year 2016 contributed capital was generated 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. Projects and capital contributions are summarized below.

<u>Capital Contributions (\$000)</u>	<u>2016</u>	<u>2015</u>	<u>2016 - 2015</u>	
			<u>Change (\$)</u>	<u>Change (%)</u>
Terminal Demolition / Redevelopment	\$ 230	\$ 8	\$ 222	2775.0%
Planning Studies	155	49	106	216.3%
Sound Insulation Program	-	3	(3)	-100.0%
Land Acquisition / Bird Habitat	-	2,106	(2,106)	-100.0%
Taxiways	1,894	2,471	(577)	-23.4%
New Building	-	261	(261)	-100.0%
Security Equipment	-	12	(12)	-100.0%
Contribution From State	-	138	(138)	-100.0%
<b>Total</b>	<b>\$ 2,279</b>	<b>\$ 5,048</b>	<b>\$ (2,769)</b>	<b>-54.9%</b>

## BUDGET TO ACTUAL PERFORMANCE

Bradley's annual operating budget for fiscal year 2016 was developed pursuant to procedures established in applicable State Statute as well as in the Airline Operating Agreement and Terminal Building Lease between the CAA and the signatory air carriers which went into effect July 1, 2015. These procedures provide for preparation of the budget, submission to and approval of the budget by the Authority's Board of Directors and consultation with signatory airlines before the beginning of each fiscal year. 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. Budget to actual performance for fiscal year 2016 is shown in Table 4.

Total operating revenues were 3.2% less than budget. All categories of airline revenue were less than budget as a result of performing an airline rates and charges true-up. FY 2016 airline rates and charges are initially set based on FY 2016 operating budget. Pursuant to the airline operating agreement, once the full year actual operating results are available, the airline rates and charges are recalculated using actual, rather than budgeted, operating expenses as the base for the calculation. Given operating expenses were substantially under budget, there was a \$3.7 million true-up to airline operating revenues. Non-airline revenues were over budget by \$753 or 2.2%. A positive variance was experienced in all categories of non-airline revenues with the exception of rental cars which was \$152 below budget and auto parking, which was equal to budget. PFC revenue and related interest was \$75 or -0.6% less than budget. CFC revenue and related interest was over budget by \$3,495 or 64.3% due to the increase in the CFC rate from \$3.50 to \$6.00 on August 1, 2015. Total operating expenses before depreciation were 11.2% under budget with surpluses realized in all categories of expense except other payroll.

**Table 4**  
**FY 2016 Budget to Actual Performance (\$000)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	
			<u>Greater (Less) Than Budget (\$000)</u>	<u>Percent</u>
Airline Revenue	\$ 34,664	\$ 31,677	\$ (2,987)	-8.6%
Non-Airline Revenue	34,487	35,240	753	2.2%
<b>Total Operating Revenue</b>	<b>69,150</b>	<b>66,917</b>	<b>(2,234)</b>	<b>-3.2%</b>
Passenger Facility Charges & PFC Interest	12,138	12,063	(75)	-0.6%
Car Rental Facility Charge Revenue & CFC Interest	5,433	8,928	3,495	64.3%
<b>Operating &amp; Maintenance Expenses before Depreciation</b>	<b>\$ 54,753</b>	<b>\$ 48,603</b>	<b>\$ (6,150)</b>	<b>-11.2%</b>



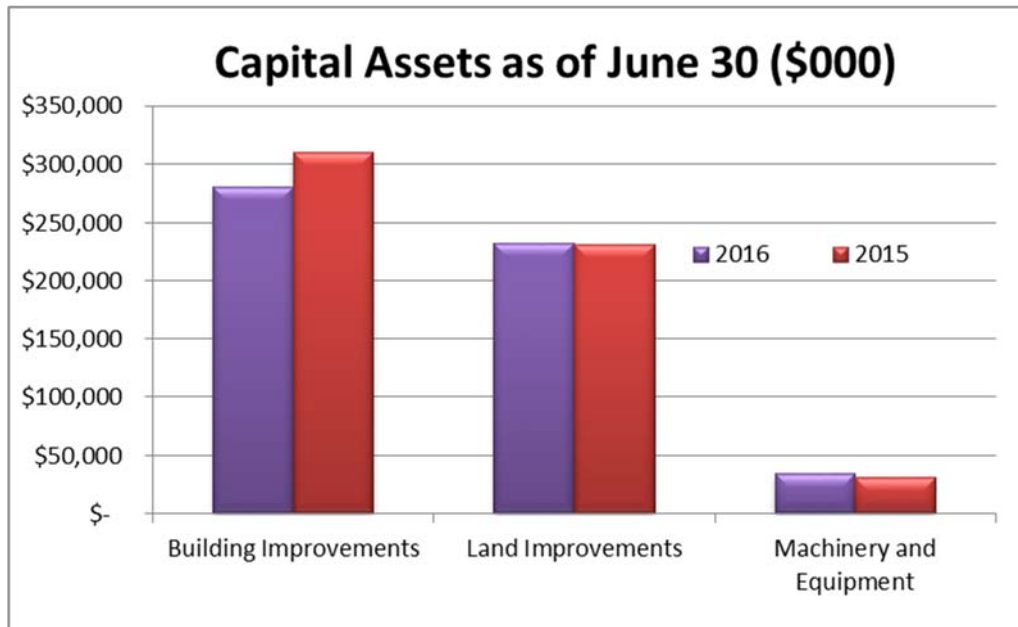
## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

Bradley's capital assets decreased \$23.9 million for the year ended June 30, 2016. Changes in detailed capital asset categories are summarized in Table 5 below. The large decrease in building improvements is a result of the disposal of the Terminal B fixed asset which was demolished as it had exceeded its useful life. Increases in land improvements are due to the completion of Taxiway S, J & U. Increases in vehicles and equipment represent the purchase of a new structural pumper along with 12,500 gallon capture tank, replacement of pickup trucks, express vans and tractor mowers. The decrease in construction in progress reflects the completion of Taxiway S, J & U noted above.

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

	<u>2016</u>	<u>2015</u>	<u>2016 - 2015</u> <u>Additions</u>
Building Improvements	\$ 280,935	\$ 310,199	\$ (29,264)
Land Improvements	232,221	231,561	660
Machinery and Equipment	36,047	30,818	5,229
<b>Total Depreciable</b>	<b>549,203</b>	<b>572,578</b>	<b>(23,375)</b>
Land	2,657	2,657	-
Construction in Progress	5,607	6,120	(513)
<b>Total Non - Depreciable</b>	<b>8,264</b>	<b>8,777</b>	<b>(513)</b>
<b>Total</b>	<b><u>\$ 557,467</u></b>	<b><u>\$ 581,355</u></b>	<b><u>\$ (23,888)</u></b>



## Debt

At year end, Bradley had \$122,980 in General Airport Revenue Bonds outstanding versus \$129,415 in fiscal year 2015 - a decrease of \$6,435 or 5.0%. Bradley had two outstanding series of bonds at June 30, 2016. 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:

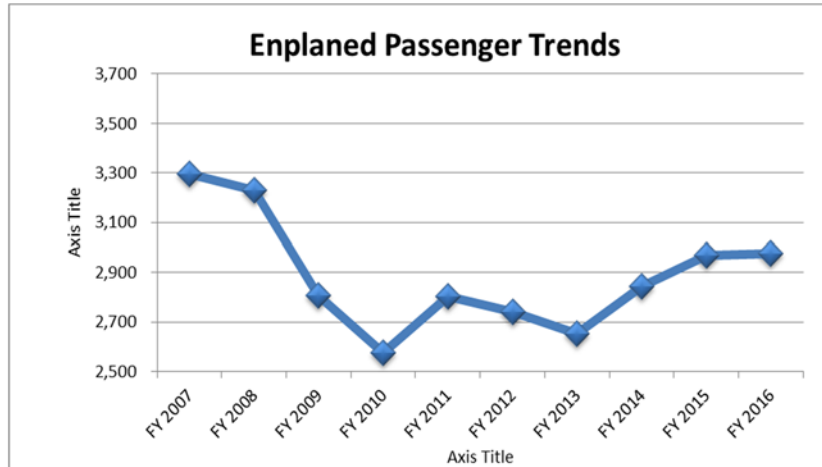
<u>Principal Outstanding</u>	<u>2016</u>	<u>2015</u>	<u>2016-2015 Change</u>
Series 2011A	\$ 73,790	\$ 77,650	\$ 3,860
Series 2011B	<u>49,190</u>	<u>51,765</u>	<u>2,575</u>
Total Principal Outstanding*	<u>\$122,980</u>	<u>\$129,415</u>	<u>\$ 6,435</u>

\* Less current maturities of \$6,690 results in revenue bonds payable (Long Term Portion) of \$116,290 as of June 30, 2016. For a more detailed description of long-term debt obligations see Note 5 in the accompanying financial statements.

## ECONOMIC FACTORS AND OUTLOOK

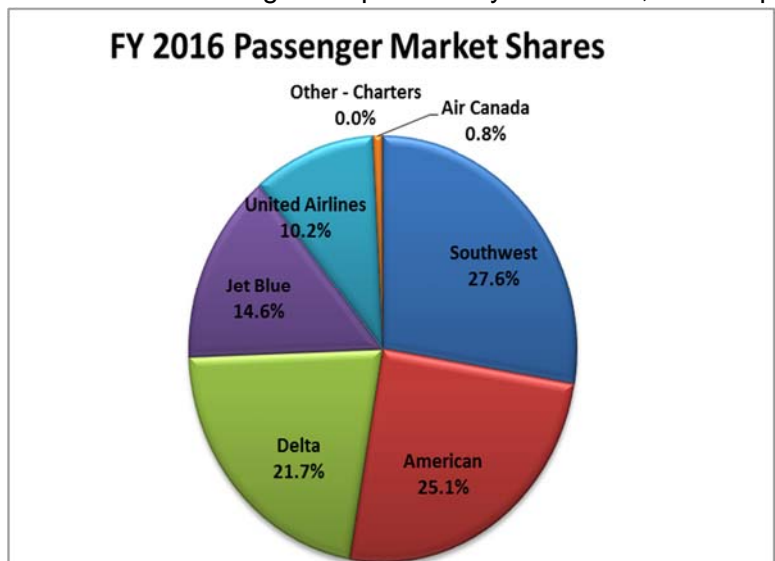
The financial health and stability of the airline industry nationally, regionally and at Bradley is the most significant economic factor with the potential to adversely affect Bradley. The industry experienced a prolonged period of industry challenges reflecting the economic recession, increased costs, extremely narrow margins and lower traffic resulting in multiple airline bankruptcies, consolidations and reorganizations, as well as deep cuts to air service capacity. The industry has significantly rebounded and has shown consistent growth over the past few years. Sustained low jet fuel costs and an overall rebounding economy has allowed airlines to enjoy record profits recently. Bradley has shown consistent growth in passenger traffic over the past three years reflecting the CAA's efforts in route development and a rebounding economy. Bradley's strong airline cost recovery structure and its non-airline revenue structure have provided consistent financial performance.

The airline mergers and consolidations over the years have affected the use and occupancy of terminal facilities at Bradley. Most recently was the merger of American Airlines and US Airways which resulted in a reduction in leased terminal space.



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 fiscal year 2016, Bradley enplaned 2.975 million passengers, a slight increase from fiscal year 2015. Through diligent route development efforts, the Authority has been able to add several new routes recently. The new routes include non-stop service to Los Angeles operated by American, non-stop service to Denver operated by United and a new carrier was added, One Jet with non-stop to Pittsburg. In addition, international service has been restored at Bradley with new non-stop service to Dublin, Ireland, beginning in September of 2016. In fiscal year 2016, the airport continued to maintain a strong diverse market share amongst 6 main signatory airlines. United Airlines increased the most with a 16.3% increase in passengers. Jet Blue had the second largest increase with a 9.9% increase in their passenger count for fiscal year 2016. Although Southwest had a reduction in passenger growth they continue to be the largest carrier at Bradley with 27.6% of the market share. Following in second is American with 25.1% of the market share. Delta Airlines, is the third largest carrier with its market share of 21.7%, a slight decrease from fiscal year 2015.



Carrier	Enplaned Passengers				Carrier Year over Year Growth
	2016	2015	FY 2016 Growth (Decline)	% of Total FY 2016 Growth	
Southwest	822,452	851,667	(29,215)	-431.8%	-3.4%
American	746,756	791,317	(44,561)	-658.6%	-5.6%
Delta	644,882	648,628	(3,746)	-55.4%	-0.6%
Jet Blue	434,670	395,508	39,162	578.8%	9.9%
United Airlines	302,062	259,689	42,373	626.3%	16.3%
Air Canada	23,333	21,729	1,604	23.7%	7.4%
Other - Charters	1,149	-	1,149	17.0%	0.0%
<b>Total</b>	<b>2,975,304</b>	<b>2,968,538</b>	<b>6,766</b>	<b>100.0%</b>	<b>0.2%</b>

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 mergers of the different Airlines. As of June 2016, American, United, Delta, Southwest, Air Canada, Jet Blue and 26 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 fiscal year 2015 and fiscal year 2016 are shown below in Table 6.

The Authority has worked diligently with the air 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 continued growth of passenger traffic. Bradley continues to 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	2016 Enplaned Passengers			2015 Enplaned Passengers		
	Mainline	Regional / Express Operations	Total	Mainline	Regional / Express Operations	Total
Southwest	822,452	-	<b>822,452</b>	817,910	33,757	<b>851,667</b>
American	327,363	419,393	<b>746,756</b>	410,971	380,346	<b>791,317</b>
Delta	563,832	81,050	<b>644,882</b>	547,191	101,437	<b>648,628</b>
Jet Blue	434,670	-	<b>434,670</b>	395,508	-	<b>395,508</b>
United Airlines	91,645	210,417	<b>302,062</b>	96,835	162,854	<b>259,689</b>
Air Canada	-	23,333	<b>23,333</b>	-	21,729	<b>21,729</b>
Other - Charters	-	1,149	<b>1,149</b>	-	-	<b>-</b>
<b>Total</b>	<b>2,239,962</b>	<b>735,342</b>	<b>2,975,304</b>	<b>2,268,415</b>	<b>700,123</b>	<b>2,968,538</b>

Carrier	2016 Market Shares			2015 Market Shares		
	Mainline	Regional / Express Operations	Total	Mainline	Regional / Express Operations	Total
Southwest	27.6%	0.0%	<b>27.6%</b>	27.6%	1.1%	<b>28.7%</b>
American	11.0%	14.1%	<b>25.1%</b>	13.8%	12.8%	<b>26.7%</b>
Delta	19.0%	2.7%	<b>21.7%</b>	18.4%	3.4%	<b>21.9%</b>
Jet Blue	14.6%	0.0%	<b>14.6%</b>	13.3%	0.0%	<b>13.3%</b>
United Airlines	3.1%	7.1%	<b>10.2%</b>	3.3%	5.5%	<b>8.7%</b>
Air Canada	0.0%	0.8%	<b>0.8%</b>	0.0%	0.7%	<b>0.7%</b>
Other - Charters	0.0%	0.0%	<b>0.0%</b>	0.0%	0.0%	<b>0.0%</b>
<b>Total</b>	<b>75.3%</b>	<b>24.7%</b>	<b>100.0%</b>	<b>76.4%</b>	<b>23.6%</b>	<b>100.0%</b>

Bradley management continuously monitors 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 were 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.

The balance sheet for the General Aviation Airports shows total assets for fiscal year 2016 to be \$75,376, a decrease of \$1,420 or 1.8% from fiscal year 2015. Total assets are broken down by current assets of \$8,922 and noncurrent assets of \$66,454. Net capital assets were restated for fiscal year 2015 when it was discovered that a certain capital asset totaling \$10,932 was double counted in error. This error was discovered when management performed a capital asset inventory during 2016. A prior period adjustment has been made to remove the duplicate capital asset.

Total liabilities for fiscal year 2016 equal \$12,331 reflecting a decrease of \$2,668 or 17.8% from fiscal year 2015. The decrease in liabilities is mostly due to the reduction in accounts payable and accrued liabilities and the amount due to State for federal grants that were up-fronted by the State. The only long term liability for the General Aviation Airports is the net pension liability. The net pension liability in fiscal year 2016 equaled \$9,785 which is a slight increase over the fiscal year 2015 amount of \$9,783. Table 7 below shows the details for total net position.

**TABLE 7**  
**BALANCE SHEET - GENERAL AVIATION AIRPORTS**  
**JUNE 30, 2016**  
**(in thousands)**

	2016	2015	2016 - 2015	
			Change (\$)	Change (%)
<b>ASSETS</b>				
Current and other assets	\$ 8,922	\$ 9,330	\$ (408)	-4.4%
Net capital assets (as restated)*	66,454	67,466	(1,012)	-1.5%
<b>TOTAL ASSETS</b>	<b>\$ 75,376</b>	<b>\$ 76,796</b>	<b>\$ (1,420)</b>	<b>-1.8%</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 1,456	\$ 3,067	\$ (1,611)	-52.5%
Due to Affiliate/State/Muni	912	1,980	(1,068)	-54.0%
Deferred Revenue and Other	178	169	9	5.6%
Net Pension Liability	9,785	9,783	2	0.0%
<b>TOTAL LIABILITIES</b>	<b>12,331</b>	<b>14,999</b>	<b>(2,668)</b>	<b>-17.8%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Change in Projected Pension Investment Earnings	254	349	(95)	-27.1%
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>12,585</b>	<b>15,348</b>	<b>(2,763)</b>	<b>-18.0%</b>
<b>NET POSITION</b>				
Net Investments in Capital Assets (as restated)*	66,454	67,466	(1,012)	-1.5%
Restricted	-	-	-	n/a
Unrestricted	(3,663)	(6,018)	2,355	-39.1%
<b>TOTAL NET POSITION (as restated)*</b>	<b>62,791</b>	<b>61,448</b>	<b>1,343</b>	<b>2.2%</b>
<b>TOTAL LIABILITIES AND NET POSITION (as restated)*</b>	<b>\$ 75,376</b>	<b>\$ 76,796</b>	<b>\$ (1,420)</b>	<b>-1.8%</b>
<b>NET POSITION at JUNE 30</b>				
Invested in Capital Assets (net) as restated *	\$ 66,454	\$ 67,466	\$ (1,012)	-1.5%
Unrestricted	(3,663)	(6,018)	2,355	-39.1%
<b>TOTAL NET POSITION* (as restated)*</b>	<b>\$ 62,791</b>	<b>\$ 61,448</b>	<b>\$ 1,343</b>	<b>2.2%</b>

\* Fiscal year 2015 net capital assets have been restated in order to reflect a prior period adjustment for a duplicate capital asset.

## 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 \$61,448 (as restated). Net position for fiscal year 2016 is \$62,791, an increase of \$1,343. Operating revenues totaled \$2,716, an increase of \$224 or 9.0% over fiscal year 2015. Airline revenue was \$238 and non-airline revenue was \$2,478. 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 before depreciation totaled \$5,718 which is an increase of \$70 or 1.2% over fiscal year 2015. Operating expenses include salaries and related expenses, administrative and general, repairs and maintenance, and energy and utilities. Depreciation expense for fiscal year 2016 is \$3,647 which is \$123 or 3.3% lower than fiscal year 2015. The net non-operating revenue for fiscal year 2016 is \$4,252 which is higher than fiscal year 2015 by \$511 or 13.7%. The non-operating revenue includes the State's operating subsidy of \$5,188 and investment income of \$17 offset by non-operating expenses of \$1,046 which is predominately made up of various capital projects (planning studies) that were expensed. In addition, similar to Bradley, the GA Airports recorded a \$93 actuarial pension gain compared with a \$776 actuarial pension expense in fiscal year 2015. Fiscal year 2016 income (loss) before capital contributions equaled (\$2,398) compared to (\$3,185) in fiscal year 2015. Capital contributions of \$3,741 consists of \$595 of funding received from State supported Bonds to fund capital improvements and \$3,146 of funding from the Federal Aviation Administration for capital infrastructure at each of the General Aviation Airports. Table 8 below shows the change in net position.



**TABLE 8**  
**CHANGES IN NET POSITION - GENERAL AVIATION AIRPORTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(In Thousands)

	2016	2015	2016 - 2015	
			Change (\$)	Change (%)
<b>OPERATING REVENUES</b>				
Landing Fees	\$ 40	\$ 77	\$ (37)	-48.0%
Airline Terminal Rent	11	13	(2)	-16.0%
Aircraft Parking	187	199	(12)	-5.9%
Rental Cars	223	125	98	78.5%
Land Rent	1,147	1,113	34	3.0%
Other Operating Revenue	1,108	965	143	14.8%
<b>TOTAL OPERATING REVENUES</b>	<u>2,716</u>	<u>2,492</u>	<u>224</u>	<u>9.0%</u>
<b>OPERATING EXPENSES</b>				
Salaries and Related Expenses	4,196	4,139	57	1.4%
Administrative and General	523	548	(71)	-12.9%
Repairs and Maintenance	734	673	61	9.1%
Energy and utilities	264	288	(24)	-8.2%
Equipment	-	-	-	100.0%
<b>OPER EXPENSES BEFORE DEPRECIATION</b>	<u>5,718</u>	<u>5,648</u>	<u>70</u>	<u>1.2%</u>
<b>OPER LOSS BEFORE DEPRECIATION</b>	<u>(3,002)</u>	<u>(3,156)</u>	<u>154</u>	<u>-4.9%</u>
Depreciation and Amortization	3,647	3,770	(123)	-3.3%
<b>OPERATING (LOSS)</b>	<u>(6,649)</u>	<u>(6,926)</u>	<u>277</u>	<u>-4.0%</u>
<b>NON OPERATING REVENUES(EXPENSES)</b>				
Investment income	17	5	12	238.2%
Other Non operating expenses	(1,046)	(651)	(395)	60.7%
State Operating Subsidy	5,188	5,163	25	0.5%
Actuarial Pension Expense	93	(776)	869	-112.0%
<b>NET NON OPERATING REVENUES (EXPENSE)</b>	<u>4,252</u>	<u>3,741</u>	<u>511</u>	<u>13.7%</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(2,398)</u>	<u>(3,185)</u>	<u>787</u>	<u>-24.7%</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>3,741</u>	<u>8,088</u>	<u>(4,347)</u>	<u>-53.7%</u>
Change in Net Position	1,343	4,903	(3,560)	-72.6%
Total Net Position, Beginning of Year (as Restated)	61,448	56,545	4,903	8.7%
Total Net Position, End of Year	<u>\$ 62,791</u>	<u>\$ 61,448</u>	<u>\$ 1,343</u>	<u>2.2%</u>

## 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 gross receipts reported for 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.

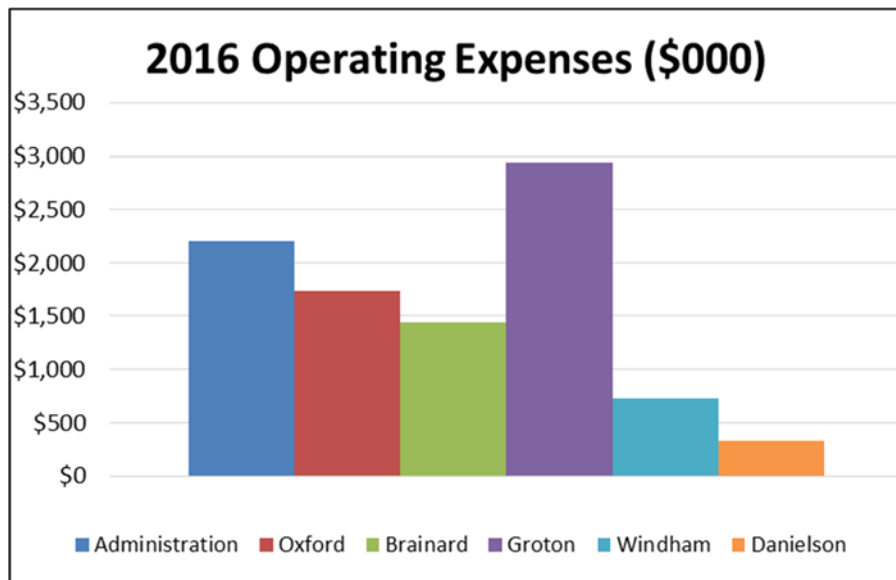
## Operating Expenses

Operating expenses in fiscal year 2016 totaled \$9,365. 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 2016 is shown on Table 9.

As indicated earlier, the General Aviation Airports Enterprise Fund receives subsidy from the State of Connecticut for the operating expenses incurred. For fiscal year 2016, the Authority received \$5,188 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 \$5,718 which exceeded the operating subsidy received by \$530. 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 funding. Table 9 below details the fiscal year 2016 operating expenses by Airport by category.

**TABLE 9**  
**OPERATING EXPENSES - GENERAL AVIATION AIRPORTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(In thousands)**

	Total 2016	GA Airport Administration	Oxford	Brainard	Groton	Windham	Danielson
<b>Salaries &amp; Related</b>							
Salaries	\$ 2,004	\$ 1,121	\$ 248	\$ 244	\$ 391	\$ -	\$ -
Overtime	272	30	103	53	87	-	-
Other Payroll	112	74	12	(0)	26	-	-
Fringe Benefit	1,808	911	256	254	387	-	-
<b>Salaries &amp; Related</b>	<b>4,196</b>	<b>2,136</b>	<b>619</b>	<b>551</b>	<b>891</b>	<b>-</b>	<b>-</b>
<b>Other Expense</b>							
Security	46	-	13	7	9	10	7
Administrative Costs	477	58	51	45	275	25	23
Repairs and Maintenance	734	-	75	114	183	210	152
Utilities	264	2	50	55	122	20	14
Equip/Operating Exp. Misc.	-	-	-	-	-	-	-
<b>Other Expense</b>	<b>1,522</b>	<b>60</b>	<b>189</b>	<b>222</b>	<b>590</b>	<b>264</b>	<b>197</b>
<b>Expenses Before Depreciation</b>	<b>5,718</b>	<b>2,196</b>	<b>808</b>	<b>773</b>	<b>1,481</b>	<b>264</b>	<b>197</b>
Depreciation & Amortization	3,647	7	929	662	1,459	459	130
<b>Total Operating Expenses</b>	<b>\$ 9,365</b>	<b>\$ 2,203</b>	<b>\$ 1,737</b>	<b>\$ 1,435</b>	<b>\$ 2,940</b>	<b>\$ 724</b>	<b>\$ 327</b>



## BUDGET TO ACTUAL PERFORMANCE

The fiscal year 2016 budget was presented and approved by the Board of Directors as per the Public Act. However, as explained earlier the State subsidy request for fiscal year 2016 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. Table 10 compares budget to actual for the general aviation airports using the Board approved budget.

**TABLE 10**  
**COMPARISON OF BUDGET TO ACTUAL - GENERAL AVIATION AIRPORTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
in thousands

	BUDGET	ACTUAL	VARIANCE
<b>OPERATING REVENUE</b>			
Landing Fees	\$ 45	\$ 40	\$ 5
Terminal Rent - Airline	11	11	-
Aircraft Parking	197	187	10
Rental Cars	97	223	(127)
Land & Building Rent	1,115	1,147	(32)
Other Operating Revenue	1,168	1,108	60
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 2,632</b>	<b>\$ 2,716</b>	<b>\$ (84)</b>
<b>OPERATING EXPENSES</b>			
Salaries & Wages	\$ 2,264	\$ 2,004	\$ 260
Overtime	340	272	68
Other Payroll	74	112	(38)
Fringe Benefits	2,172	1,808	364
<b>Total Personnel Costs</b>	<b>4,851</b>	<b>4,196</b>	<b>654</b>
Security Services	47	46	-
Administrative Costs	561	477	84
Repairs & Maintenance	972	734	238
Utilities	303	264	39
Equipment	184	-	183
<b>Total Other Expenses</b>	<b>2,066</b>	<b>1,522</b>	<b>544</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 6,917</b>	<b>\$ 5,718</b>	<b>\$ 1,198</b>

The Authority continues to evaluate options 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, 2016. 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, 2016**

	<b>Bradley International Airport Fund</b>	<b>General Aviation Airports Fund</b>	<b>Total Connecticut Airport Authority</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 10,171,365	\$ 583,712	\$ 10,755,077
Short-term investments	66,545,973	5,744,969	72,290,942
Accounts receivable, net	6,017,620	223,881	6,241,501
Grants receivable	2,035,782	1,617,935	3,653,717
Restricted investments, current portion	3,110,253	-	3,110,253
Due from State	4,083,434	705,283	4,788,717
Prepaid expenses and other	16,562	46,790	63,352
Total current assets	<u>91,980,989</u>	<u>8,922,570</u>	<u>100,903,559</u>
<b>Noncurrent Assets</b>			
Restricted assets:			
Car rental facility	35,728,714	-	35,728,714
Passenger facility	63,642,560	-	63,642,560
Bond indenture	17,205,130	-	17,205,130
Capital assets	<u>256,159,028</u>	<u>66,453,922</u>	<u>322,612,950</u>
Total noncurrent assets	<u>372,735,432</u>	<u>66,453,922</u>	<u>439,189,354</u>
Total assets	<u>464,716,421</u>	<u>75,376,492</u>	<u>540,092,913</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Interest rate swaps	23,870,642	-	23,870,642
Deferred loss on bond refunding	1,875,919	-	1,875,919
Total deferred outflows of resources	<u>25,746,561</u>	<u>-</u>	<u>25,746,561</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 490,462,982</u>	<u>\$ 75,376,492</u>	<u>\$ 565,839,474</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Current maturities of revenue bonds	\$ 6,690,000	\$ -	\$ 6,690,000
Accounts payable and accrued liabilities	11,528,494	1,455,910	12,984,404
Due to State	10,818	911,538	922,356
Revenue bond interest payable	1,209,977	-	1,209,977
Deferred revenue and other	5,625,511	178,862	5,804,373
Total current liabilities	<u>25,064,800</u>	<u>2,546,310</u>	<u>27,611,110</u>
<b>Noncurrent Liabilities</b>			
Revenue bonds payable, less current maturities	116,290,000	-	116,290,000
Interest rate swap	23,870,642	-	23,870,642
Net pension liability	47,598,087	9,785,110	57,383,197
Total noncurrent liabilities	<u>187,758,729</u>	<u>9,785,110</u>	<u>197,543,839</u>
Total liabilities	<u>212,823,529</u>	<u>12,331,420</u>	<u>225,154,949</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,237,906</u>	<u>254,486</u>	<u>1,492,392</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>214,061,435</u>	<u>12,585,906</u>	<u>226,647,341</u>
<b>NET POSITION</b>			
Net investment in capital assets	130,173,432	66,453,922	196,627,354
Restricted for:			
Capital projects	110,309,263	-	110,309,263
Debt service	7,276,378	-	7,276,378
Bond indenture requirements	2,101,016	-	2,101,016
Unrestricted	<u>26,541,458</u>	<u>(3,663,336)</u>	<u>22,878,122</u>
Total net position	<u>276,401,547</u>	<u>62,790,586</u>	<u>339,192,133</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 490,462,982</u>	<u>\$ 75,376,492</u>	<u>\$ 565,839,474</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, 2016**

	<b>Bradley International Airport Fund</b>	<b>General Aviation Airports Fund</b>	<b>Total Connecticut Airport Authority</b>
<b>Operating Revenues</b>			
Airline revenue:			
Landing fees	\$ 18,070,765	\$ 40,054	\$ 18,110,819
Airline terminal rent	9,774,063	10,920	9,784,983
Apron and remote aircraft parking	3,831,742	187,180	4,018,922
Total airline revenue	<u>31,676,570</u>	<u>238,154</u>	<u>31,914,724</u>
Nonairline revenue:			
Auto parking	11,157,216	-	11,157,216
Rental cars	8,798,437	223,149	9,021,586
Terminal concessions	4,025,919	-	4,025,919
Land rent	5,152,449	1,146,808	6,299,257
Other concessions	3,508,277	-	3,508,277
Other operating revenue	2,597,635	1,107,661	3,705,296
Total nonairline revenue	<u>35,239,933</u>	<u>2,477,618</u>	<u>37,717,551</u>
Total operating revenues	<u>66,916,503</u>	<u>2,715,772</u>	<u>69,632,275</u>
<b>Operating Expenses</b>			
Salaries and related expense	20,822,313	4,196,291	25,018,604
Administrative and general	16,509,026	523,309	17,032,335
Energy and utilities	4,939,300	264,277	5,203,577
Repairs and maintenance	6,346,133	734,577	7,080,710
Depreciation and amortization	16,357,175	3,646,912	20,004,087
Total operating expenses	<u>64,973,947</u>	<u>9,365,366</u>	<u>74,339,313</u>
<b>Operating Income (Loss)</b>	<u>1,942,556</u>	<u>(6,649,594)</u>	<u>(4,707,038)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Car rental facility charge revenue	8,928,045	-	8,928,045
Passenger facility charge revenue	12,062,845	-	12,062,845
Investment income	238,312	16,908	255,220
Bond interest expense	(4,918,630)	-	(4,918,630)
Other nonoperating expenses	(10,261,334)	(1,046,348)	(11,307,682)
Airline revenue share expense	(1,463,061)	-	(1,463,061)
State operating subsidies	-	5,188,259	5,188,259
Actuarial pension gain	438,814	92,777	531,591
Net nonoperating revenues	<u>5,024,991</u>	<u>4,251,596</u>	<u>9,276,587</u>
<b>Income (Loss) Before Capital Contributions</b>	6,967,547	(2,397,998)	4,569,549
<b>Capital Contributions, Net</b>	<u>2,279,475</u>	<u>3,741,038</u>	<u>6,020,513</u>
<b>Change in Net Position</b>	9,247,022	1,343,040	10,590,062
<b>Net Position - Beginning of Year, as Restated</b>	<u>267,154,525</u>	<u>61,447,546</u>	<u>328,602,071</u>
<b>Net Position - End of Year</b>	<u>\$ 276,401,547</u>	<u>\$ 62,790,586</u>	<u>\$ 339,192,133</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, 2016**

	<b>Bradley International Airport Fund</b>	<b>General Aviation Airports Fund</b>	<b>Total Connecticut Airport Authority</b>
<b>Cash Flows from Operating Activities</b>			
Received from concessionaires	\$ 70,886,917	\$ 2,670,659	\$ 73,557,576
Payments to employees for services	(20,822,313)	(4,196,291)	(25,018,604)
Payments to suppliers for goods and services	(28,898,809)	(1,434,354)	(30,333,163)
Net cash provided by (used in) operating activities	<u>21,165,795</u>	<u>(2,959,986)</u>	<u>18,205,809</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Car rental facility charge receipts	8,580,579	-	8,580,579
Passenger facility charge receipts	12,280,917	-	12,280,917
Capital contributions	5,640,614	5,372,194	11,012,808
Receipt of State operating subsidies	-	5,188,259	5,188,259
Advances to State, net	(484,391)	(434,251)	(918,642)
Principal paid on capital debt	(6,435,000)	-	(6,435,000)
Interest paid on capital debt	(4,992,759)	-	(4,992,759)
Planning and studies outlays	(10,261,334)	(1,046,348)	(11,307,682)
Acquisition of capital assets	(7,269,442)	(4,287,035)	(11,556,477)
Net cash provided by (used in) capital and related financing activities	<u>(2,940,816)</u>	<u>4,792,819</u>	<u>1,852,003</u>
<b>Cash Flows from Investing Activities</b>			
Net purchases of investments	(20,557,235)	(1,982,887)	(22,540,122)
Interest on investments	215,472	16,908	232,380
Net cash used in investing activities	<u>(20,341,763)</u>	<u>(1,965,979)</u>	<u>(22,307,742)</u>
<b>Net Decrease in Cash</b>	(2,116,784)	(133,146)	(2,249,930)
<b>Cash - Beginning of Year</b>	<u>12,288,149</u>	<u>716,858</u>	<u>13,005,007</u>
<b>Cash - End of Year</b>	<u>\$ 10,171,365</u>	<u>\$ 583,712</u>	<u>\$ 10,755,077</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>			
Operating income (loss)	\$ 1,942,556	\$ (6,649,594)	\$ (4,707,038)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	16,357,175	3,646,912	20,004,087
(Increase) decrease in operating assets:			
Accounts, grants receivable and prepaid expenses	56,113	(8,053)	48,060
Increase (decrease) in operating liabilities:			
Accounts payable and accrued liabilities	(1,205,939)	41,019	(1,164,920)
Deferred revenue and other	4,015,890	9,730	4,025,620
<b>Net Cash Provided by (Used In) Operating Activities</b>	<u>\$ 21,165,795</u>	<u>\$ (2,959,986)</u>	<u>\$ 18,205,809</u>

The accompanying notes are an integral part of the financial statements

**CONNECTICUT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**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

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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. 72 - *Fair Value Measurement and Application*. The standard sets forth fair value measurement standards and requires disclosures concerning the level of inputs used to determine fair value. Adoption of the statement had no effect on net assets at the beginning of the period.

### 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 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**

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### **Investments**

The Authority presents all investments at fair value except for external investment pools, which are reported at net asset value. See Note 3 for a further discussion of fair values.

There were no significant investment gains or losses for the year ended June 30, 2016.

### **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 \$5,000 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 Inflows and 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 proportion and differences between employer contributions and proportionate share of contributions related to the State Employees Retirement System. This amount is deferred and will be included as a reduction of pension expense ratably over the next five 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.

### **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.

## **CONNECTICUT AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS**

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### **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**

Eligible employees of the Authority participate in the State Employees' Retirement System (SERS). Authority contributions are based on a percentage of eligible compensation. 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. 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 \$11,287,655 for the year ended June 30, 2016.

### **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**

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**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, 2016, \$11,169,620 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, 2016:

	<u>Bradley International Airport Fund</u>	<u>General Aviation Airports Fund</u>	<u>Total</u>
State Treasurer's Short-Term Investment Fund	\$ <u>183,502,184</u>	\$ <u>5,744,969</u>	\$ <u>189,247,153</u>
Total Investments	\$ <u><u>183,502,184</u></u>	\$ <u><u>5,744,969</u></u>	\$ <u><u>189,247,153</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.

The State Treasurer's Short-Term Investment Fund's rating by Standard & Poor's is AAAm.

**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.

**CONNECTICUT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**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 - FAIR VALUE**

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure fair value. Level 1 inputs consist of quoted market prices in active markets for identical assets; Level 2 inputs consist of significant other observable inputs; Level 3 inputs consist of significant unobservable inputs. Certain items required to be reported at their net asset value (NAV) are not subject to level disclosure.

The Authority had the following recurring fair value measurements as of June 30, 2016:

- The State Treasurer's Short-Term Investment Funds of \$189,247,153 are reported at NAV. There are no unfunded commitments with respect to this investment and there are no liquidity restrictions.
- The interest rate swaps liability of \$23,870,642 was determined using a "mid market" price generated by the counterparty's proprietary valuation model, which is based on certain assumptions regarding present and futures market conditions or other factors from other sources of pricing information. These valuation inputs are considered be Level 3 inputs.

Activity for the year in the interest rate swap liability is disclosed in Note 6.

**NOTE 4 - 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, 2016:

Car rental facility charges receivable	\$	890,216
Interest receivable		12,286
Investments		<u>34,826,212</u>
	\$	<u>35,728,714</u>

**CONNECTICUT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**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, 2016:

Cash	\$	423,386
Passenger facility charges receivable		1,381,580
Interest receivable		21,962
Investments		<u>61,815,632</u>
	\$	<u>63,642,560</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, 2016:

Investments	\$	20,314,367
Less current portion		<u>(3,110,253)</u>
		17,204,114
Interest receivable		<u>1,016</u>
	\$	<u>17,205,130</u>

**CONNECTICUT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions and Reclassifications</u>	<u>Balance June 30, 2016</u>
<b>BRADLEY INTERNATIONAL AIRPORT</b>				
Capital assets not being depreciated:				
Land	\$ 2,657,154	\$ -	\$ -	\$ 2,657,154
Construction in progress	<u>6,119,847</u>	<u>16,399,157</u>	<u>(16,912,271)</u>	<u>5,606,733</u>
Total capital assets not being depreciated	<u>8,777,001</u>	<u>16,399,157</u>	<u>(16,912,271)</u>	<u>8,263,887</u>
Capital assets being depreciated:				
Land improvements	231,560,798	4,127,491	(3,467,088)	232,221,201
Buildings and improvements	310,223,085	673,844	(29,962,156)	280,934,773
Machinery and equipment	<u>30,817,616</u>	<u>1,790,491</u>	<u>3,439,251</u>	<u>36,047,358</u>
Total capital assets being depreciated	<u>572,601,499</u>	<u>6,591,826</u>	<u>(29,989,993)</u>	<u>549,203,332</u>
Less accumulated depreciation for:				
Land improvements	(164,075,196)	(6,335,953)	2,988,736	(167,422,413)
Buildings and improvements	(125,922,534)	(8,259,727)	29,961,747	(104,220,514)
Machinery and equipment	<u>(25,066,294)</u>	<u>(1,638,480)</u>	<u>(2,960,490)</u>	<u>(29,665,264)</u>
Total accumulated depreciation	<u>(315,064,024)</u>	<u>(16,234,160)</u>	<u>29,989,993</u>	<u>(301,308,191)</u>
Total capital assets being depreciated, net	<u>257,537,475</u>	<u>(9,642,334)</u>	<u>-</u>	<u>247,895,141</u>
Capital Assets, Net	<u>\$ 266,314,476</u>	<u>\$ 6,756,823</u>	<u>\$ (16,912,271)</u>	<u>\$ 256,159,028</u>
	<u>Balance, as Restated, July 1, 2015</u>	<u>Additions</u>	<u>Reductions and Reclassifications</u>	<u>Balance June 30, 2016</u>
<b>GENERAL AVIATION AIRPORTS</b>				
Capital assets not being depreciated:				
Land	\$ 26,335,487	\$ 2,889,001	\$ -	\$ 29,224,488
Construction in progress	<u>3,971,684</u>	<u>3,697,194</u>	<u>(6,687,769)</u>	<u>981,109</u>
Total capital assets not being depreciated	<u>30,307,171</u>	<u>6,586,195</u>	<u>(6,687,769)</u>	<u>30,205,597</u>
Capital assets being depreciated:				
Land improvements	75,311,534	2,153,035	4,840,381	82,304,950
Buildings and improvements	19,720,961	475,239	(4,538,193)	15,658,007
Machinery and equipment	<u>8,974,478</u>	<u>108,162</u>	<u>(590,764)</u>	<u>8,491,876</u>
Total capital assets being depreciated	<u>104,006,973</u>	<u>2,736,436</u>	<u>(288,576)</u>	<u>106,454,833</u>
Less accumulated depreciation for:				
Land improvements	(46,986,474)	(2,721,401)	(4,225,389)	(53,933,264)
Buildings and improvements	(12,565,547)	(914,748)	4,520,405	(8,959,890)
Machinery and equipment	<u>(7,296,151)</u>	<u>(10,763)</u>	<u>(6,440)</u>	<u>(7,313,354)</u>
Total accumulated depreciation	<u>(66,848,172)</u>	<u>(3,646,912)</u>	<u>288,576</u>	<u>(70,206,508)</u>
Total capital assets being depreciated, net	<u>37,158,801</u>	<u>(910,476)</u>	<u>-</u>	<u>36,248,325</u>
Capital Assets, Net	<u>\$ 67,465,972</u>	<u>\$ 5,675,719</u>	<u>\$ (6,687,769)</u>	<u>\$ 66,453,922</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, 2016:

	<u>Balance July 1, 2015</u>	<u>Issuances and Other Increases</u>	<u>Retirements and Other Decreases</u>	<u>Balance June 30, 2016</u>
Revenue bonds payable	\$ 129,415,000	\$ -	\$ (6,435,000)	\$ 122,980,000
Net pension liability	<u>57,358,655</u>	<u>24,542</u>	<u>-</u>	<u>57,383,197</u>
	<u>\$ 186,773,655</u>	<u>\$ 24,542</u>	<u>\$ (6,435,000)</u>	<u>\$ 180,363,197</u>

**Bradley International Airport Fund Revenue Bonds**

A summary of Bradley International Airport revenue bonds outstanding as of June 30, 2016 is as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>2016</u>
Series 2011A	Variable - percent of one-month LIBOR	\$ 73,790,000
Series 2011B	Variable - percent of one-month LIBOR	<u>49,190,000</u>
Principal outstanding		122,980,000
Less current maturities		<u>(6,690,000)</u>
Long-Term Portion		<u>\$ 116,290,000</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**

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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, 2016 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 \$30,595,000 was outstanding as of June 30, 2016.

## **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.

### **Credit Risk**

As of June 30, 2016, 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 A3 as issued by Moody's Investor Service or A- 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, 2016. The Authority is not required to post collateral for either of the swaps.

### **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.

**CONNECTICUT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**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, 2016 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, 2016	\$73,790,000	\$49,190,000
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, 2016	0.788%	0.788%
Variable interest rate in effect on related bonds	1.027%	1.085%
Credit rating of counterparty:		
Moody's Investors Service	A1	A1
Standard & Poor's	A	A
Fitch Ratings Service	A+	A+

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The following is a summary of the changes in fair value of the interest rate swaps for the year ended June 30, 2016, 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, 2015	\$ (11,583,647)	\$ (7,706,936)	\$ (19,290,583)
Change in fair value for the year ended June 30, 2016	<u>(2,763,816)</u>	<u>(1,816,243)</u>	<u>(4,580,059)</u>
Fair Value - June 30, 2016	<u>\$ (14,347,463)</u>	<u>\$ (9,523,179)</u>	<u>\$ (23,870,642)</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, 2016 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>		
2017	6,690,000	1,243,307	3,435,402	11,368,709
2018	6,960,000	1,171,142	3,235,958	11,367,100
2019	7,225,000	1,096,173	3,028,765	11,349,938
2020	7,510,000	1,018,282	2,813,496	11,341,779
2021	7,815,000	937,252	2,589,548	11,341,799
2022 - 2026	35,960,000	3,532,885	9,760,592	49,253,477
2027 - 2031	41,495,000	1,533,811	4,235,801	47,264,612
2032	<u>9,325,000</u>	<u>31,220</u>	<u>85,637</u>	<u>9,441,856</u>
Total	<u>\$ 122,980,000</u>	<u>\$ 10,564,071</u>	<u>\$ 29,185,198</u>	<u>\$ 162,729,269</u>

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of the following as of June 30, 2016:

	<u>Bradley International Airport Fund</u>	<u>General Aviation Airports Fund</u>	<u>Total</u>
Accrued payroll and compensated absences	\$ 3,671,453	\$ 921,631	\$ 4,593,084
Accrued operating expenses	4,185,503	44,218	4,229,721
Accounts payable - projects	<u>3,671,538</u>	<u>490,061</u>	<u>4,161,599</u>
	<u>\$ 11,528,494</u>	<u>\$ 1,455,910</u>	<u>\$ 12,984,404</u>

**CONNECTICUT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**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, 2016:

Car rental facility charge revenue	\$ 8,836,903
Interest income	<u>91,142</u>
	<u>\$ 8,928,045</u>

The following Bradley International Airport Fund passenger facility charge revenue and investment income earned thereon is restricted for expenditures for Bradley International Airport federally approved improvement projects or debt service for the year ended June 30, 2016:

Passenger facility rental facility charge revenue	\$ 11,880,983
Interest income	<u>181,862</u>
	<u>\$ 12,062,845</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 37 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**

2017	\$ 38,093,977
2018	31,174,125
2019	30,533,780
2020	30,054,131
2021	<u>17,936,803</u>
	<u>\$ 147,792,816</u>

Future minimum rental income for fiscal years ending June 30, 2017 through June 30, 2021 are estimated using minimum guarantee payments outlined in the leases.

**CONNECTICUT AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**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**

2017	\$	647,658
2018		603,225
2019		549,168
2020		478,753
2021		<u>352,140</u>
	\$	<u><u>2,630,944</u></u>

Future minimum rental income for fiscal years ending June 30, 2017 through June 30, 2021 are estimated using minimum guarantee payments outlined in the leases.

**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 of 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 to 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**

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**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. However, the portion of the Authority's contributions to SERS is not considered a contribution to the Plan, but rather a reimbursement of specific benefits paid. As a result, the Authority cannot identify the amount of current year contributions that will be credited to the Plan until the actuarial valuation is completed. Therefore, deferred outflows of resources for current year contributions has not been recognized.

There were no changes in benefit terms or actuarial assumptions in the valuation for the year ended June 30, 2015.

As of June 30, 2016, the Authority reported a liability of \$57,383,197 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, which was rolled forward to June 30, 2015. 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 .34727% as of June 30, 2015.

For the year ended June 30, 2016, the Authority recognized pension expense of \$4,222,706. As of June 30, 2016, the Authority reported deferred inflows of resources related to pensions of \$1,492,392 from changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred inflows of resources related to the plan will be recognized in pension expense as follows:

**Year Ending June 30**

2017	\$	437,390
2018		437,390
2019		437,397
2020		(59,150)
2021		239,365

**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  
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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 projection of the RP-2000 mortality rates with age setbacks as described provides an approximate 13% margin in the assumed rates of mortality.

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 and were rolled forward to the measurement date of June 30, 2015.

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 pension 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 asset allocation and best estimates of arithmetic 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	0.4

**Discount Rate**

The discount rate used to measure the TPL at June 30, 2015 was the long-term rate of return, 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that Employer contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected through the year 2115.

**CONNECTICUT AIRPORT AUTHORITY  
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**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 (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Authority’s proportionate share of the net pension liability	\$ 68,258,964	\$ 57,383,197	\$ 48,220,513

**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](http://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 \$922,356 at June 30, 2016.

Amounts due from the State as presented in the balance sheet totaled \$4,788,717 at June 30, 2016.

**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, 2016 cannot be determined because postretirement benefits are paid by the State and included in the state calculated fringe rate 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. 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  
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**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 was completed during fiscal year 2016. As of June 30, 2016, costs totaling \$15,510,640 have been incurred and funded through passenger facility charges and costs totaling \$625,456 have been incurred and funded through operations of Bradley International Airport. Of the accumulated costs incurred through June 30, 2016, \$9,067,615 was included within other nonoperating expenses on the statement of revenues, expenses and changes in net position for the year ended June 30, 2016. The Airport has approximately \$987,941 of commitments yet to be paid to the contractors for the project.

**NOTE 15 - PRIOR PERIOD ADJUSTMENT**

Net assets totaling \$71,244,126 were contributed to the General Aviation Airports Fund on July 1, 2013 with the formation of the Authority. Management performed a capital asset inventory during 2016 and discovered that a certain capital asset, totaling \$10,932,270 was double counted in error. A prior period adjustment has been made to remove the duplicate capital asset.

Changes in the General Aviation Airports Fund balance sheet at June 30, 2015 were as follows:

	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Capital assets	\$ 78,398,242	\$ (10,932,270)	\$ 67,465,972
Total assets	87,727,985	(10,932,270)	76,795,715
Total liabilities, deferred inflows of resources and net position	87,727,985	(10,932,270)	76,795,715

Changes in the General Aviation Airports Fund statement of revenues, expenses and changes in net position for the year ended at June 30, 2015 were as follows:

	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Net Position - Beginning of Year	\$ 67,476,924	\$ (10,932,270)	\$ 56,544,654
Net Position - End of Year	72,379,816	(10,932,270)	61,447,546

The effect of the adjustment on the change in net assets of the General Aviation Airports for the year ended June 30, 2015 was negligible.

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

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	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.34727%	.35817%
Authority's proportionate share of the net pension liability	\$ 57,383,197	\$ 57,358,655
Authority's covered - employee payroll	\$ 12,565,000	\$ 12,017,000
Plan fiduciary net position as a percentage of the total pension liability	39.23%	39.54%

Valuation date: June 30, 2014

\*Note: No information by component is available prior to the June 30, 2014 valuation.

**CONNECTICUT AIRPORT AUTHORITY  
SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST TEN FISCAL YEARS\*  
CONNECTICUT STATE EMPLOYEES RETIREMENT SYSTEM  
JUNE 30, 2016**

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	<u>2016</u>	<u>2015</u>
Actuarially required contribution	\$ 4,763,304	4,544,829
Amount contributed in relation to actuarially required contribution	<u>4,763,304</u>	<u>4,544,829</u>
Contribution deficiency	\$ <u><u>-</u></u>	<u><u>-</u></u>
Authority's covered payroll	\$ 12,565,000	\$ 12,017,000
Contributions as a percentage of covered employer payroll	37.91%	37.82%

Valuation date: June 30, 2014

\*Note: No information by component is available prior to the June 30, 2014 valuation.

**CONNECTICUT AIRPORT AUTHORITY  
BRADLEY INTERNATIONAL AIRPORT FUND  
BALANCE SHEETS  
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 10,171,365	\$ 12,288,149
Short-term investments	66,545,973	53,523,419
Accounts receivable, net	6,017,620	5,949,304
Grants receivable	2,035,782	5,396,921
Restricted investments, current portion	3,110,253	3,020,083
Due from State	4,083,434	4,534,453
Prepaid expenses and other	16,562	118,151
Total current assets	<u>91,980,989</u>	<u>84,830,480</u>
<b>Noncurrent Assets</b>		
Restricted assets:		
Car rental facility	35,728,714	27,787,871
Passenger facility	63,642,560	69,677,626
Bond indenture	17,205,130	11,537,002
Capital assets	<u>256,159,028</u>	<u>266,314,476</u>
Total noncurrent assets	<u>372,735,432</u>	<u>375,316,975</u>
Total assets	<u>464,716,421</u>	<u>460,147,455</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Interest rate swaps	23,870,642	19,290,583
Deferred loss on bond refunding	1,875,919	1,998,930
Total deferred outflows of resources	<u>25,746,561</u>	<u>21,289,513</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 490,462,982</u>	<u>\$ 481,436,968</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current maturities of revenue bonds	\$ 6,690,000	\$ 6,435,000
Accounts payable and accrued liabilities	11,528,494	12,462,098
Due to State	10,818	946,228
Revenue bond interest payable	1,209,977	1,284,106
Deferred revenue and other	5,625,511	1,609,621
Total current liabilities	<u>25,064,800</u>	<u>22,737,053</u>
<b>Noncurrent Liabilities</b>		
Revenue bonds payable, less current maturities	116,290,000	122,980,000
Interest rate swap	23,870,642	19,290,583
Net pension liability	47,598,087	47,575,674
Total noncurrent liabilities	<u>187,758,729</u>	<u>189,846,257</u>
Total liabilities	<u>212,823,529</u>	<u>212,583,310</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,237,906</u>	<u>1,699,133</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>214,061,435</u>	<u>214,282,443</u>
<b>NET POSITION</b>		
Net investment in capital assets	130,173,432	132,752,036
Restricted for:		
Capital projects	110,309,263	102,498,662
Debt service	7,276,378	7,423,588
Bond indenture requirements	2,101,016	2,100,332
Unrestricted	26,541,458	22,379,907
Total net position	<u>276,401,547</u>	<u>267,154,525</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 490,462,982</u>	<u>\$ 481,436,968</u>

**CONNECTICUT AIRPORT AUTHORITY  
BRADLEY INTERNATIONAL AIRPORT FUND  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues</b>		
Airline revenue:		
Landing fees	\$ 18,070,765	\$ 16,760,104
Airline terminal rent	9,774,063	10,020,913
Apron and remote aircraft parking	3,831,742	3,813,858
Total airline revenue	<u>31,676,570</u>	<u>30,594,875</u>
Nonairline revenue:		
Auto parking	11,157,216	10,927,728
Rental cars	8,798,437	8,783,025
Terminal concessions	4,025,919	4,000,893
Land rent	5,152,449	4,411,262
Other concessions	3,508,277	3,271,916
Other operating revenue	2,597,635	2,510,680
Total nonairline revenue	<u>35,239,933</u>	<u>33,905,504</u>
Total operating revenues	<u>66,916,503</u>	<u>64,500,379</u>
<b>Operating Expenses</b>		
Salaries and related expense	20,822,313	19,980,965
Administrative and general	16,509,026	15,923,076
Energy and utilities	4,939,300	5,875,009
Repairs and maintenance	6,346,133	7,387,519
Depreciation and amortization	16,357,175	15,817,411
Total operating expenses	<u>64,973,947</u>	<u>64,983,980</u>
<b>Operating Income (Loss)</b>	<u>1,942,556</u>	<u>(483,601)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Car rental facility charge revenue	8,928,045	5,514,522
Passenger facility charge revenue	12,062,845	12,247,888
Investment income	238,312	121,184
Bond interest expense	(4,918,630)	(5,027,842)
Other nonoperating expenses	(10,261,334)	(9,955,279)
Airline revenue share expense	(1,463,061)	-
Actuarial pension gain (expense)	438,814	(3,772,792)
Net nonoperating revenues (expenses)	<u>5,024,991</u>	<u>(872,319)</u>
<b>Income (Loss) Before Capital Contributions</b>	6,967,547	(1,355,920)
<b>Capital Contributions</b>	<u>2,279,475</u>	<u>5,047,883</u>
<b>Change in Net Position</b>	9,247,022	3,691,963
<b>Net Position - Beginning of Year</b>	<u>267,154,525</u>	<u>263,462,562</u>
<b>Net Position - End of Year</b>	<u>\$ 276,401,547</u>	<u>\$ 267,154,525</u>

CONNECTICUT AIRPORT AUTHORITY  
COMBINING BALANCE SHEET - GENERAL AVIATION AIRPORTS FUND  
JUNE 30, 2016  
(With Comparative Totals for 2015)

	2016								Restated 2015 Total General Aviation Airports Fund
	Oxford Airport	Brainard Airport	Groton New London Airport	Danielson Airport	Windham Airport	GA Airport Administration	Interfund Eliminations	Total General Aviation Airports Fund	
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash	\$ 1,913	\$ 2,597	\$ -	\$ -	\$ 618	\$ 578,584	\$ -	\$ 583,712	\$ 716,858
Short-term investments	30,500	14,500	54,811	19,950	5,000	5,620,208	-	5,744,969	3,762,082
Accounts receivable, net	60,427	8,741	85,498	24,162	18,776	26,277	-	223,881	169,038
Grants receivable	703,544	554,877	36,128	-	7,254	316,132	-	1,617,935	3,249,091
Due from State	-	-	-	-	-	705,283	-	705,283	1,339,094
Prepaid expenses and other	-	-	-	-	-	46,790	-	46,790	93,580
Interfund receivables	558,735	425,445	840,568	-	-	-	(1,824,748)	-	-
Total current assets	<u>1,355,119</u>	<u>1,006,160</u>	<u>1,017,005</u>	<u>44,112</u>	<u>31,648</u>	<u>7,293,274</u>	<u>(1,824,748)</u>	<u>8,922,570</u>	<u>9,329,743</u>
<b>Noncurrent Assets</b>									
Capital assets, as restated	36,852,603	6,862,786	16,240,833	1,110,204	5,370,450	17,046	-	66,453,922	67,465,972
Total noncurrent assets	<u>36,852,603</u>	<u>6,862,786</u>	<u>16,240,833</u>	<u>1,110,204</u>	<u>5,370,450</u>	<u>17,046</u>	<u>-</u>	<u>66,453,922</u>	<u>67,465,972</u>
<b>Total Assets</b>	<b>\$ <u>38,207,722</u></b>	<b>\$ <u>7,868,946</u></b>	<b>\$ <u>17,257,838</u></b>	<b>\$ <u>1,154,316</u></b>	<b>\$ <u>5,402,098</u></b>	<b>\$ <u>7,310,320</u></b>	<b>\$ <u>(1,824,748)</u></b>	<b>\$ <u>75,376,492</u></b>	<b>\$ <u>76,795,715</u></b>
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Accounts payable and accrued liabilities	\$ 117,578	\$ 389,794	\$ 70,574	\$ 8	\$ 33,148	\$ 844,808	\$ -	\$ 1,455,910	\$ 3,067,064
Due to State	647,766	223,385	36,128	-	4,259	-	-	911,538	1,979,600
Deferred revenue and other	31,152	19,286	93,283	19,950	5,551	9,640	-	178,862	169,132
Interfund payables	-	-	-	34,632	491	1,789,625	(1,824,748)	-	-
Total current liabilities	<u>796,496</u>	<u>632,465</u>	<u>199,985</u>	<u>54,590</u>	<u>43,449</u>	<u>2,644,073</u>	<u>(1,824,748)</u>	<u>2,546,310</u>	<u>5,215,796</u>
<b>Noncurrent Liabilities</b>									
Net pension liability	-	-	-	-	-	9,785,110	-	9,785,110	9,782,981
Total liabilities	<u>796,496</u>	<u>632,465</u>	<u>199,985</u>	<u>54,590</u>	<u>43,449</u>	<u>12,429,183</u>	<u>(1,824,748)</u>	<u>12,331,420</u>	<u>14,998,777</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-	-	254,486	-	254,486	349,392
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>796,496</u>	<u>632,465</u>	<u>199,985</u>	<u>54,590</u>	<u>43,449</u>	<u>12,683,669</u>	<u>(1,824,748)</u>	<u>12,585,906</u>	<u>15,348,169</u>
<b>NET POSITION</b>									
Net investment in capital assets, as restated	36,852,603	6,862,786	16,240,833	1,110,204	5,370,450	17,046	-	66,453,922	67,465,972
Restricted for:									
Capital projects	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Bond indenture requirements	-	-	-	-	-	-	-	-	-
Unrestricted	558,623	373,695	817,020	(10,478)	(11,801)	(5,390,395)	-	(3,663,336)	(6,018,426)
Total net position, as restated	<u>37,411,226</u>	<u>7,236,481</u>	<u>17,057,853</u>	<u>1,099,726</u>	<u>5,358,649</u>	<u>(5,373,349)</u>	<u>-</u>	<u>62,790,586</u>	<u>61,447,546</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position, as Restated</b>	<b>\$ <u>38,207,722</u></b>	<b>\$ <u>7,868,946</u></b>	<b>\$ <u>17,257,838</u></b>	<b>\$ <u>1,154,316</u></b>	<b>\$ <u>5,402,098</u></b>	<b>\$ <u>7,310,320</u></b>	<b>\$ <u>(1,824,748)</u></b>	<b>\$ <u>75,376,492</u></b>	<b>\$ <u>76,795,715</u></b>

**CONNECTICUT AIRPORT AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - GENERAL AVIATION AIRPORTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(With Comparative Totals for 2015)**

	2016						Total General Aviation Airports Fund	Restated 2015 Total General Aviation Airports Fund
	Oxford Airport	Brainard Airport	Groton New London Airport	Danielson Airport	Windham Airport	GA Airport Administration		
<b>Operating Revenues</b>								
Airline revenue:								
Landing fees	\$ 40,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,054	\$ 76,735
Airline terminal rent	-	-	10,920	-	-	-	10,920	12,520
Apron and remote aircraft parking	62,850	58,030	24,390	11,155	30,755	-	187,180	199,359
Total airline revenue	102,904	58,030	35,310	11,155	30,755	-	238,154	288,614
Nonairline revenue:								
Rental cars	42,307	1,591	179,251	-	-	-	223,149	124,833
Land rent	350,688	373,820	333,058	34,234	55,008	-	1,146,808	1,113,517
Other operating revenue	583,794	60,275	237,848	120,422	51,440	53,882	1,107,661	965,151
Total nonairline revenue	976,789	435,686	750,157	154,656	106,448	53,882	2,477,618	2,203,501
Total operating revenues	1,079,693	493,716	785,467	165,811	137,203	53,882	2,715,772	2,492,115
<b>Operating Expenses</b>								
Salaries and related expense	618,696	550,689	890,615	-	-	2,136,291	4,196,291	4,139,117
Administrative and general	63,832	52,734	284,539	30,353	34,212	57,639	523,309	547,420
Energy and utilities	50,127	55,189	122,457	14,480	19,892	2,132	264,277	288,311
Repairs and maintenance	75,216	113,919	183,553	151,778	210,111	-	734,577	673,139
Depreciation and amortization	929,445	662,460	1,458,887	130,187	459,319	6,614	3,646,912	3,770,274
Total operating expenses	1,737,316	1,434,991	2,940,051	326,798	723,534	2,202,676	9,365,366	9,418,261
<b>Operating Loss</b>	(657,623)	(941,275)	(2,154,584)	(160,987)	(586,331)	(2,148,794)	(6,649,594)	(6,926,146)
<b>Nonoperating Revenues (Expense)</b>								
Investment income	-	-	-	-	-	16,908	16,908	5,430
Other nonoperating (expenses) revenues	65,254	(9,068)	(454,301)	(1,099)	(16,754)	(630,380)	(1,046,348)	(651,059)
State operating subsidies	736,733	705,603	1,338,571	176,401	243,848	1,987,103	5,188,259	5,162,764
Actuarial pension gain (expense)	-	-	-	-	-	92,777	92,777	(775,799)
Net nonoperating revenues	801,987	696,535	884,270	175,302	227,094	1,466,408	4,251,596	3,741,336
<b>Income (Loss) Before Capital Contributions</b>	144,364	(244,740)	(1,270,314)	14,315	(359,237)	(682,386)	(2,397,998)	(3,184,810)
<b>Capital Contributions</b>	2,557,285	397,876	137,034	5	161,596	487,242	3,741,038	8,087,702
<b>Interfund Transfers</b>	(3,012,465)	(770,690)	(1,102,938)	(232,091)	(250,657)	5,368,841	-	-
<b>Change in Net Position</b>	(310,816)	(617,554)	(2,236,218)	(217,771)	(448,298)	5,173,697	1,343,040	4,902,892
<b>Net Position - Beginning of Year, as Restated</b>	37,722,042	7,854,035	19,294,071	1,317,497	5,806,947	(10,547,046)	61,447,546	56,544,654
<b>Net Position - End of Year, as Restated</b>	\$ 37,411,226	\$ 7,236,481	\$ 17,057,853	\$ 1,099,726	\$ 5,358,649	\$ (5,373,349)	\$ 62,790,586	\$ 61,447,546

**CONNECTICUT AIRPORT AUTHORITY**  
**SCHEDULE OF PASSENGER FACILITY CHARGE EXPENDITURES - BRADLEY INTERNATIONAL AIRPORT**  
**FOR THE QUARTERS ENDED SEPTEMBER 30, 2015, DECEMBER 31, 2015,**  
**MARCH 31, 2016 AND JUNE 30, 2016**

Project Description	Cumulative Expenditures through June 30, 2015	Net Expenditures for the Quarter Ended				Cumulative Expenditures through June 30, 2016	Approved Amount
		September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016		
Terminal building and concourse	\$ 11,601,050	\$ -	\$ -	\$ -	\$ -	\$ 11,601,050	\$ 207,373,251
Purchase and install jetways	-	-	-	-	-	-	23,750,895
Terminal building apron	-	-	-	-	-	-	18,645,121
Terminal roadways and glycol piping	-	-	-	-	-	-	7,765,140
Debt service payments	84,814,048	4,812,817	-	-	1,768,648	91,395,513	***
	96,415,098	4,812,817	-	-	1,768,648	102,996,563	257,534,407
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	3,122,088	72,406	-	-	43,191	3,237,685	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	-	-	-	-	94,760	94,760	150,000
Refurbish Two Outbound Conveyors	-	-	-	-	5,180	5,180	25,000
Installation of Barriers in Front of Terminal	-	-	-	-	-	-	50,000
Terminal Demolition Design	1,435,230	-	-	-	-	1,435,230	1,435,230
New Roadway System Design	702,839	1,469	-	-	41,496	745,804	1,057,556
Rehabilitate Taxiway C North	1,249,538	-	-	-	-	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	-	-	4,859	-	-	4,859	240,000
Rehabilitate Taxiways S West, U & J	9,090	85,599	18,456	-	-	113,145	2,500,000
Design for the Rehabilitate Taxiways E & F (165-002)	229,078	73,966	22,906	12,574	-	338,524	350,000
Demolition of Term B	2,410,385	3,684,144	2,441,917	2,554,365	2,160,116	13,250,927	16,028,238
Purchase of Structural Pumper	636,522	-	199,046	-	-	835,568	835,569
Purchase of 4 Snow Removal Equipment Vehicles	-	-	-	-	-	-	3,200,000
Purchase 9-ton Truck	-	-	-	-	-	-	155,000
New Roadway System	-	-	-	-	-	-	5,780,000
Rehabilitate Taxiway E & W	-	-	-	-	-	-	1,400,784
Purchase Four (4) Snow Removal Vehicles	-	-	-	-	-	-	3,600,000
Master Plan Update	-	-	-	-	-	-	1,000,000
Purchase ARFF Vehicle	-	-	-	-	-	-	975,000
Trailer Mounted Snow Melter	-	-	-	-	-	-	625,000
	\$ 166,661,822	\$ 8,730,401	\$ 2,687,184	\$ 2,566,939	\$ 4,113,391	\$ 184,759,737	\$ 364,410,225

\*\*\* 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





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**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***

Mr. Charles Gray, 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, 2016 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 10, 2016.

**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.

## Prior Period Adjustment

<b>Criteria</b>	The necessity for making a prior period adjustment is considered to be evidence of a weakness in internal controls.
<b>Condition</b>	A prior period adjustment was required to eliminate a duplicate capital asset in the General Aviation Airport Fund.
<b>Context</b>	Capital assets were reduced by \$10,932,270. Gross capital assets in the General Aviation Airport Fund after the adjustment totaled \$134,314,144.
<b>Effect</b>	The effect is capital assets and net assets were overstated, before the correcting entry was posted.
<b>Cause</b>	A capital asset was erroneously double counted when the capital assets of the General Aviation Fund were originally contributed to the Authority.
<b>Recommendation</b>	When one-time transactions occur, proper controls to review the information should be in place to ensure accuracy.
<b>Views of Responsible Officials</b>	Management's capital assets controls led to the discovery of the duplication in fiscal year 2016. No other duplications were noted. The initial establishment of accrual based financial statements for the General Aviation Airports Fund in fiscal year 2014 was a very unique one-time event. Management is very confident in the effectiveness of the CAA's internal controls surrounding fixed asset management.

## 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*.

## 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 10, 2016



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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**

Mr. Charles Gray, 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, 2016.

### **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, 2016.

## 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 10, 2016