

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

FINANCIAL STATEMENTS

JUNE 30, 2017

CONNECTICYT PORT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF CONNECTICUT)
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Independent Auditors' Report

To the Board of Directors
Connecticut Port Authority
Old Saybrook, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the Connecticut Port Authority, a component unit of the State of Connecticut, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Connecticut Port Authority's financial statements as listed in the table of contents.

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 opinions 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 from 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 Connecticut Port Authority as of June 30, 2017, and the respective changes in its financial position and cash flows for the year then ended, in accordance 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 3 through 5 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, who considers it to be an essential part of financial reporting for placing the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2018 on our consideration of the Connecticut Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Connecticut Port Authority's 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 Connecticut Port Authority's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
April 5, 2018

**CONNECTICUT PORT AUTHORITY
(A COMPONENT UNIT OF THE STATE CONNECTICUT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

As management of the Connecticut Port Authority (the Authority), a component unit of the State of Connecticut (the State), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2017. The Authority's financial statements, accompanying notes and supplementary information should be read in conjunction with the following discussion.

Introduction

The Authority was created by the State of Connecticut General Assembly pursuant to Public Act 14-222. The Authority constitutes a body corporate and politic and a public instrumentality of the State having a distinct legal existence from the State.

The purposes of the Connecticut Port Authority shall be to coordinate port development, with a focus on private and public investments, pursue federal and state funds for dredging and other infrastructure improvements to increase cargo movement through Connecticut ports, market the advantages of such ports to the domestic and international shipping industry, coordinate the planning and funding of capital projects promoting the development of such ports and develop strategic entrepreneurial initiatives that may be available to the state.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements.

The Authority engages only in business-type activities, that is, activities that are financed in whole or in part by charges to external parties for services. As a result, the Authority's basic financial statements include the statement of net position; the statement of revenues, expenses and changes in net position; the statement of cash flows; and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents detail on the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Changes in the Authority's net position serve as a useful indicator of whether the Authority's net position is improving or deteriorating. Readers should also consider other non-financial factors when evaluating the Authority's net position. The statement of revenues, expenses, and changes in net position presents information on how the Authority's net position changed during the year.

All assets, liabilities and changes in net position are reported as soon as the underlying event affecting the asset or liability, and resulting change in net position occurs, regardless of the timing of when the cash is received or paid (accrual basis of accounting for governmental entities). Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in net position will result in cash flows in future periods.

2017 Financial Highlights

Total assets exceeded total liabilities by \$749,748 (net position) at June 30, 2017 due primarily to state appropriations received during the fiscal year. Additionally, operating revenues exceeded operating expenses for the fiscal year.

**CONNECTICUT PORT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Operating income for 2017 was \$207,807 and the change in net position was \$749,748.

Condensed Information

The following table reflects a summary of certain balances in the statements of net position and revenues, expenses and changes in net position:

Statements of Net Position	
	June 30, 2017
Net position:	
Current assets	\$ 797,862
Noncurrent assets	
Total assets	797,862
Current liabilities	48,114
Noncurrent liabilities	
Total liabilities	48,114
Net position, unrestricted	\$ 749,748

Statements of Revenues, Expenses, and Changes in Net Position	
	June 30, 2017
Changes in net position:	
Operating revenues	\$ 683,914
Operating expenses	476,107
Operating income	207,807
Nonoperating revenues	541,941
Change in net position	\$ 749,748

2017 Financial Analysis

Total assets of the Authority were \$797,862 at June 30, 2017. The largest asset was funding due from the State of Connecticut of \$596,904.

**CONNECTICUT PORT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Total liabilities of the Authority at June 30, 2017 were \$48,114.

2017 Operating Activity

Operating revenues of the Authority were \$683,914, led by State Pier driven revenues of \$607,906.

Total operating expenses were \$476,107. The majority of the expenses were for salaries, fringe benefits and other contractual services.

Operating revenues exceed operating expenses by \$207,807.

Requests for Information

This financial report is designed as a general overview of the Authority's financial picture for external and internal stakeholders. Questions concerning any of the information provided in this report or public requests for information should be addressed to the Executive Director, Connecticut Port Authority, 455 Boston Post Rd., Suite 204, Old Saybrook, CT 06475.

**CONNECTICUT PORT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF CONNECTICUT)
STATEMENT OF NET POSITION
JUNE 30, 2017**

Assets:

Current assets:

Cash and cash equivalents	\$	156,503
Accounts receivable		30,892
Due from State of Connecticut		596,904
Deposits and prepaid expenses		13,563
Total assets		<u>797,862</u>

Liabilities:

Current liabilities:

Accounts payable		35,942
Accrued expenses and other		12,172
Total current liabilities		<u>48,114</u>

Net Position, Unrestricted	\$	<u>749,748</u>
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The accompanying notes are an integral part of the financial statements

**CONNECTICUT PORT AUTHORITY
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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

Operating Revenues, Charges for Services:	
State Pier rent	\$ 213,366
State Pier operating fees	394,540
Pilotage and licensing fees	<u>76,008</u>
Total operating revenues, charges for services	<u>683,914</u>
Operating Expenses:	
Salaries and related expense	227,106
Contractual services	211,875
Administrative and general	<u>37,126</u>
Total operating expenses	<u>476,107</u>
Operating Income	207,807
Nonoperating Revenues, Interest and Dividend Income:	
Appropriations from State	<u>541,941</u>
Change in Net Position	749,748
Net Position, Beginning of Year	<u>-</u>
Net Position, End of Year	<u>\$ 749,748</u>

The accompanying notes are an integral part of the financial statements

**CONNECTICUT PORT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF CONNECTICUT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Cash Flows from Operating Activities:	
Cash received for services	\$ 56,118
Cash payments to suppliers	(226,622)
Cash payments to employees	(214,934)
Net cash used in operating activities	<u>(385,438)</u>
Cash Flows from Noncapital Financing Activities:	
State of Connecticut appropriations and bond funding received	<u>541,941</u>
Net Increase in Cash and Cash Equivalents	156,503
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 156,503</u>
Reconciliation of Operating Income to Net Cash Used in Operating Activities:	
Operating income	\$ 207,807
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(30,892)
Due from State of Connecticut - operating	(596,904)
Prepaid expenses	(13,563)
Accounts payable	35,942
Accrued expenses and other	<u>12,172</u>
Net Cash Used in Operating Activities	<u>\$ (385,438)</u>

The accompanying notes are an integral part of the financial statements

**CONNECTICUT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF CONNECTICUT)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Connecticut Port 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 Authority was created by the State of Connecticut General Assembly pursuant to Public Act 14-222. The Authority constitutes a body corporate and politic and a public instrumentality of the State having a distinct legal existence from the State.

The purposes of the Connecticut Port Authority shall be to coordinate port development, with a focus on private and public investments, pursue federal and state funds for dredging and other infrastructure improvements to increase cargo movement through Connecticut ports, market the advantages of such ports to the domestic and international shipping industry, coordinate the planning and funding of capital projects promoting the development of such ports and develop strategic entrepreneurial initiatives that may be available to the state.

The Authority is exempt from federal and state income taxes.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

The Authority engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties.

The Authority uses the economic resources measurement focus and accrual basis of accounting.

The Authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services relating to the Authority's principal ongoing operations. Operating expenses include the cost of services provided and administrative expenses. All other revenues and expenses are reported as nonoperating revenues and expenses.

Revenues

Revenue recognition policies are as follows:

Connecticut State Pier Rents and Operating Fee Revenues

Rental and operating fees are generated by an operation and management agreement that was assigned to the Authority by the State of Connecticut. Rental revenue is recognized over the term of the lease and operating fee revenue is recognized based on reported assessable revenues as outlined in the operation and management agreement.

Other

All other types of revenues are recognized when earned.

**CONNECTICUT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Compensated Absences

Employees of the Authority are considered State employees for purposes of employee benefits. 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. All vacation and sick pay that would be payable assuming termination at year end is accrued on the statement of net position. The related liability is based upon current compensation levels.

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 Authority based on each employee's actual benefit costs. Total fringe benefit charges to the Authority were \$85,116 for the year ended June 30, 2017.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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, 2017, none of the Authority's bank balance was exposed to custodial credit risk because it was covered under federal depository insurance or collateralized, as defined by GASB Statement No. 40.

Interest Rate Risk

The Authority manages its exposure to declines in fair value by limiting the average maturity of its cash and cash equivalents to no more than one year. The Authority does not have a formal policy relating to a specific investment related risk.

**CONNECTICUT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

3. STATE APPROPRIATIONS AND TRANSFERS FROM STATE

During the year ended June 30, 2017, the Authority was appropriated \$519,506 by the General Assembly of the State of Connecticut to fund operating expenses. These appropriations are made in connection with the State's annual budgetary process and are nonlapsing. The Authority is dependent upon such annual appropriations to fund its operating expenses.

In addition, in February 2017, the State Bond Commission approved \$4,560,000 in funding to the Authority for repairs and improvements to the Connecticut State Pier in New London, Connecticut. The State of Connecticut retains control of the bond funding. Through June 30, 2017, \$22,435 had been expended on behalf of the Authority under their State of Connecticut SID number.

4. RELATED-PARTY TRANSACTIONS

The State of Connecticut is responsible for processing the Authority's payroll, including related benefits. Funds are applied against the Authority's annual appropriation on a biweekly basis as the payroll is processed.

Amounts due from the State as presented in the statement of net position totaled \$596,904 at June 30, 2017. This amount represents the balance of the Authority's appropriation in addition to amounts collected by the State on behalf of the Authority.

5. OPERATING LEASE

During 2017, the Authority entered into an operating lease with an unrelated entity for its office space. The lease calls for payments beginning June 1, 2017 at \$13,600 per annum through May 31, 2020. Rent expense related to this lease for the year ended June 30, 2017 was \$570.

Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	
2018	\$ 13,600
2019	13,600
2020	<u>12,467</u>
	<u>\$ 39,667</u>

**CONNECTICUT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

6. LEASE

Certain real property is leased to a tenant at the Connecticut State Pier under a lease agreement expiring in January 2019.

Future minimum rental income is as follows:

<u>Years Ending June 30,</u>	
2018	\$ 195,107
2019	<u>97,554</u>
	<u>\$ 292,661</u>

7. 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.

As of June 30, 2017, the Authority's sole employee was a participant in the plan. Additional disclosure information relative to the Authority's participation in the plan is not available as the plan measurement date is June 30, 2016 and, thus, no allocation of the plan's pension liability related to the Authority had been determined.

8. 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, 2017 cannot be determined because postretirement benefits are paid by the State and included in the state calculated fringe rate charged to the Authority.

9. 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. There have been no losses exceeding insurance coverage during the last year.



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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***

Board of Directors
Connecticut Port Authority
Old Saybrook, Connecticut

We have audited, 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, the financial statements of the Connecticut Port Authority, a component unit of the State of Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated April 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Connecticut Port 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 a 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. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Connecticut Port Authority's financial statements are free from 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 results 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 Connecticut Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
April 5, 2018