

Connecticut Port Authority
(A Component Unit of the State of Connecticut)

Financial Statements
(With Supplementary Information)
and Independent Auditor's Reports

June 30, 2024

**Connecticut Port Authority
(A Component Unit of the State of Connecticut)**

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Connecticut Port Authority (the "Authority"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of net pension liability and schedule of contributions, pension notes to required supplementary information, schedule of changes in net OPEB liability and related ratios and schedule of contributions and OPEB notes to required supplementary information on pages 5 through 9 and pages 29 through 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of project allocations is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of project allocations 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 information has 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 schedule of project allocations is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024 on our consideration of the 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 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.



Hartford, Connecticut
November 21, 2024

Connecticut Port Authority
(A Component Unit of the State of Connecticut)

Management's Discussion and Analysis
June 30, 2024

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, 2024. 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.

The Authority's Board of Directors approved a Memorandum of Understanding ("MOU") with the Office of Policy and Management ("OPM") in September 2019 that provided for OPM to oversee all financial decisions made by the Authority, engage such consultants and resources as needed to oversee and evaluate the Authority's fiscal, organizational and administrative practices and activities and to recommend and assist in the implementation of needed improvements in the Authority's organizational and business practices. Over the years, OPM has enhanced and expanded the bond funded Authority's projects in the state financial system, CORE, to enable proper project accounting. The MOU with OPM was extended through June 2024 at which time the contract expired and has not been renewed.

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 nonfinancial 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, deferred inflows, deferred outflows 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

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Management's Discussion and Analysis
June 30, 2024

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.

2024 Financial Highlights

Total assets exceeded total liabilities by \$302,978,780 (net position) at June 30, 2024 due primarily to the capitalization of the Harbor Development Project net of associated construction payables and lease liabilities.

Operating loss for 2024 was \$6,912,704, which was primarily attributed to \$3,705,975 of salaries and related expenses which included pension and OPEB expenses and \$5,673,908 of depreciation and \$396,596 of amortization expenses. The adjustments related to pension and OPEB expenses included in salaries and related expenses were \$2,947,156 for the year ended June 30, 2024. Excluding depreciation, amortization and adjustments for pension and OPEB expenses, the Authority reported operating income of \$2,104,956 for the year ended June 30, 2024, as compared to a net operating loss of \$554,183 for the year ended June 30, 2023. Nonoperating net revenues were \$757,408, capital contributions were \$21,523,757 and the change in net position was \$15,368,461.

Governmental Accounting Standards Board Statement No. 87 requires that substantial lease contracts that are longer than 12 months and do not transfer ownership to the lessee during the period of the contract should be treated as purchases of the assets on credit by the lessee. The lessee is required to recognize a right to use asset and the related lease liability is measured at the present value of the fixed minimum lease payments. The related asset will be amortized over the lease term or the life of the asset and the lease liabilities will be treated as a financing lease and interest expense will be recognized. The office space sub-lease owned by Saybrook Realty Partners, LLC and the land and track lease owned by New England Central Railroad, Inc. have been recognized as right to use assets. The net balance of the right to use asset in fiscal year 2024 was \$4,305,260.

In fiscal year 2023, Gateway New London, LLC, North East Offshore, LLC (NEO) and the Authority entered into a Sublease agreement dated May 19, 2023, whereby NEO committed to an annual lease payment in the amount of \$2,000,000 to be paid to the Authority. This agreement is for a period of ten years and quarterly installment in the amount of \$500,000 were received in fiscal year 2024. The Authority has recorded a lease receivable and deferred inflow of resources in the amount of \$16,257,311 as of June 30, 2024.

The Authority reported net pension liability of \$1,359,398 and net OPEB liability of \$1,850,934 as of June 30, 2024. In addition, deferred inflows and outflows of resources related to pension and OPEB were reported accordingly.

Connecticut Port Authority
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Management's Discussion and Analysis
June 30, 2024

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, 2024 and 2023			
	June 30, 2024	June 30, 2023	Increase/decrease 2024 versus 2023
Assets			
Current assets	\$ 28,407,526	\$ 52,940,659	\$ (24,533,133)
Capital assets (net)	290,893,766	262,673,479	28,220,287
Lease receivable (net)	14,498,115	16,257,311	(1,759,196)
Right to use assets (net)	4,305,260	4,701,856	(396,596)
Total assets	338,104,667	336,573,305	1,531,362
Deferred outflow of resources	850,406	-	850,406
Current liabilities	12,046,677	26,661,517	(14,614,840)
Noncurrent liabilities	7,085,066	4,311,479	2,773,587
Total liabilities	19,131,743	30,972,996	(11,841,253)
Deferred inflow of resources	16,844,550	17,989,990	(1,145,440)
Net position			
Net investment in capital assets	291,188,823	262,939,537	28,249,286
Net position, restricted	10,612,688	23,237,514	(12,624,826)
Net position, unrestricted	1,177,269	1,433,268	(255,999)
Total net position	\$ 302,978,780	\$ 287,610,319	\$ 15,368,461

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Management's Discussion and Analysis
June 30, 2024

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2024 and 2023

	June 30, 2024	June 30, 2023	Increase/decrease 2024 versus 2023
Changes in net position			
Operating revenues			
Lease revenue	\$ 1,737,203	\$ 430,000	\$ 1,307,203
State Pier operating fees	1,254,738	73,033	1,181,705
Pilotage and licensing fees	110,928	121,769	(10,841)
Interest income - lease	267,321	70,000	197,321
Miscellaneous - other	81,182	79,591	1,591
Total operating revenues	3,451,372	774,393	2,676,979
Operating expenses			
Salaries and related expense	3,705,975	868,562	2,837,413
Contractual services	479,007	376,680	102,327
Administrative and general	108,590	83,334	25,256
Depreciation	5,673,908	1,423,491	4,250,417
Amortization	396,596	356,406	40,190
Total operating expenses	10,364,076	3,108,473	7,255,603
Operating loss	(6,912,704)	(2,334,080)	(4,578,624)
Nonoperating revenues (expenses)			
Appropriations from State	3,042,916	30,906,234	(27,863,318)
Interest expense	(61,392)	(428,169)	366,777
Investment income	317,179	1,445,149	(1,127,970)
Grant awards	(2,541,295)	-	(2,541,295)
Total nonoperating revenues	757,408	31,923,214	(31,165,806)
Capital contributions	21,523,757	4,552,351	16,971,406
Change in net position	\$ 15,368,461	\$ 34,141,485	\$ (18,773,024)

2024 Financial Analysis

Total assets of the Authority were \$338,104,667 at June 30, 2024, which represents an increase of \$1,531,362 over the prior year. Net capital assets of \$290,893,766 represents the largest asset. This is an increase of \$28,220,287 related primarily to the Harbor Development Project. The Authority has entered into commitments with contractors to spend a total of \$293,431,434 on the harbor development and other projects as of June 30, 2024.

Total liabilities of the Authority at June 30, 2024 were \$19,131,743, which represents a decrease of \$11,841,253 over the prior year due to a reduction in construction payables. As of June 30, 2024, there were construction payables including retainage of \$8,979,358.

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Management's Discussion and Analysis
June 30, 2024

2024 Operating Activity

Operating revenues of the Authority were \$3,451,372, an increase of \$2,676,979 when compared to the prior year. The largest sources of revenue in fiscal year 2024 were lease revenue and State Pier operating fee revenue.

Total operating expenses were \$10,364,076. The majority of the expenses were related to salaries, fringe benefits, contractual services, depreciation and amortization. The increase in salaries and related expenses over prior year was \$2,837,413 as a result of recognizing net pension liability, net OPEB liability and related net deferred inflows and outflows of resources.

Operating expenses exceeded operating revenues by \$6,912,704. This is primarily due to depreciation and amortization expenses, and increases in salaries and related expenses as described above. Operating loss for 2024 was \$6,912,704, which was primarily attributed to \$3,705,975 of salaries and related expenses which included pension and OPEB expenses and \$5,673,908 of depreciation and \$396,596 of amortization expenses. The adjustments related to pension and OPEB expenses included in salaries and related expenses were \$2,947,156 for the year ended June 30, 2024. Excluding depreciation, amortization and adjustments for pension and OPEB expenses, the Authority reported operating income of \$2,104,956 for the year ended June 30, 2024, as compared to a net operating loss of \$554,183 for the year ended June 30, 2023.

2024 Nonoperating Activity

Appropriations from the State of Connecticut decreased from \$30,906,234 to \$3,042,916 for the year ended June 30, 2023 and June 30, 2024, respectively. The decrease is due to \$30,000,000 recognized in fiscal year 2023 for the Harbor Development Project. In fiscal year 2024, a portion of the appropriations were applied toward grant awards for town and municipality projects in the amount of \$2,541,295.

Investment income of \$317,179 is reported in nonoperating revenues for the year ended June 30, 2024, a decrease of \$1,127,970 compared to the prior period due to escrow balances used for Harbor Development Project construction costs. In addition, interest expense related to the leases payable of \$61,392 was reported as of June 30, 2024.

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 Finance 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, 2024

Assets and Deferred Outflows of Resources

Assets	
Current assets	
Cash and cash equivalents	\$ 1,802,118
Restricted cash	22,395,182
Unrestricted investments	2,000,100
Accounts receivable	205,194
Lease receivable	1,759,196
Due from State of Connecticut	12,927
Deposits and prepaid expenses	232,809
Total current assets	28,407,526
Noncurrent assets	
Lease receivable, non-current	14,498,115
Capital assets, net of accumulated depreciation	290,893,766
Right to use assets, net	4,305,260
Total noncurrent assets	309,697,141
Deferred outflows of resources	
Net difference between projected and actual earnings on pension plan investments - pension	25,854
Differences between expected and actual experience - pension	142,117
Changes in proportional share of employer - OPEB	670,827
Net difference between projected and actual earnings on OPEB plan investments - OPEB	11,608
Total deferred outflows of resources	850,406
Total assets and deferred outflows of resources	\$ 338,955,073

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities	
Current liabilities	
Accounts payable	\$ 20,381
Construction payable	1,840,429
Retainage payable	7,138,929
Unearned revenue	2,363,840
Due to North East Offshore	452,223
Lease liability, current portion	135,460
Accrued expenses and other	95,415
Total current liabilities	12,046,677
Noncurrent liabilities	
Lease liability, long-term portion	3,874,743
Net pension liability	1,359,389
Net OPEB liability	1,850,934
Total noncurrent liabilities	7,085,066
Total liabilities	19,131,743
Deferred inflow of resources	
Leases	16,257,311
Changes in proportional share of employer - pension	67,477
Changes in assumptions - pension	1,382
Differences between expected and actual experience - OPEB	107,162
Changes in assumptions - OPEB	411,218
Total deferred inflows of resources	16,844,550
Net position	
Net investment in capital assets	291,188,823
Restricted	
Harbor development	10,612,688
Unrestricted	1,177,269
Total net position	302,978,780
Total liabilities, deferred inflow of resources and net position	\$ 338,955,073

See Notes to Financial Statements.

Connecticut Port Authority
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Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2024

Operating revenues	
Lease revenue	\$ 1,737,203
State Pier operating fees	1,254,738
Pilotage and licensing fees	110,928
Interest income - lease	267,321
Miscellaneous - other	81,182
	<hr/>
Total operating revenues	3,451,372
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Operating expenses	
Salaries and related expense	3,705,975
Contractual services	479,007
Administrative and general	108,590
Depreciation	5,673,908
Amortization	396,596
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Total operating expenses	10,364,076
	<hr/>
Operating loss	(6,912,704)
	<hr/>
Nonoperating revenues (expenses)	
Appropriations from State	3,042,916
Interest expense	(61,392)
Investment income	317,179
Grant awards	(2,541,295)
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Net nonoperating revenues	757,408
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Capital contributions - harbor development revenue	21,523,757
	<hr/>
Change in net position	15,368,461
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Net position, beginning of year	287,610,319
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Net position, end of year	\$ 302,978,780
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See Notes to Financial Statements.

Connecticut Port Authority
(A Component Unit of the State of Connecticut)

Statement of Cash Flows
Year Ended June 30, 2024

Cash flows from operating activities	
Cash received for services	\$ 5,623,087
Cash payments for customers	(820,477)
Cash payments to employees	(758,819)
	<u>4,043,791</u>
Net cash provided by operating activities	<u>4,043,791</u>
Cash flows from noncapital financing activities:	
State of Connecticut appropriations and bond funding received	3,042,916
Grants awarded	(2,541,295)
	<u>501,621</u>
Net cash provided by noncapital financing activities	<u>501,621</u>
Cash flows from capital and related financing activities	
State of Connecticut appropriations and bond funding received	51,708,373
Due from North East Offshore	363,739
Principal payments on lease	(425,595)
Interest payments on lease	(61,392)
Acquisition of capital assets	(51,111,044)
	<u>474,081</u>
Net cash provided by capital and related financing activities	<u>474,081</u>
Cash flows from investing activities	
Purchase of investments	(2,000,100)
Interest on investments	317,179
	<u>(1,682,921)</u>
Net cash used in investing activities	<u>(1,682,921)</u>
Net increase in cash, cash equivalents and restricted cash	3,336,572
Cash, cash equivalents and restricted cash, beginning of year	<u>20,860,728</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 24,197,300</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (6,912,704)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	5,673,908
Amortization of right to use asset	396,596
Net amortization of deferred inflows/outflows	(263,167)
Changes in assets and liabilities	
Accounts receivable	(110,942)
Deposits and prepaid expenses	(177,352)
Accounts payable and accrued expenses	(55,528)
Unearned revenue	2,282,657
Net pension liability	1,359,389
Net OPEB liability	1,850,934
	<u>4,043,791</u>
Net cash provided by operating activities	<u>\$ 4,043,791</u>
Noncash capital and related financing activities	
Acquisition of capital assets in accounts payable	<u>\$ 8,979,358</u>

See Notes to Financial Statements.

Connecticut Port Authority
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Notes to Financial Statements
June 30, 2024

Note 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 of Connecticut (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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Connecticut State Employees' Retirement System ("SERS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Other post-employment benefit plan ("OPEB")

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The net OPEB liability is measured as of the date (measurement date) not more than 30 months and one day before the employer's most recent fiscal year end, consistently applied from period to period.

Connecticut Port Authority
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Notes to Financial Statements
June 30, 2024

Cash, cash equivalents and restricted cash

The Authority considers all highly-liquid investments (including the State of Connecticut Short-Term Investment Fund ("STIF")) with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments in external investment pools consist of money market mutual funds, including STIF, which is managed by the State of Connecticut's Treasurer's Office. Investments in money market mutual funds and STIF are reported at the net assets' value per share as determined by the pool.

Leases

In accordance with GASB Statement No. 87, Leases, the Authority determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statement of net position. Lease receivables represent the Authority's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

The Authority has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. The leases are not included as lease receivables or deferred inflows on the statement of net position.

A lease receivable and a deferred inflow of resources is recognized for long-term leases. Total leases receivable and deferred inflow of resources was \$16,257,311 as of June 30, 2024.

In addition, the Authority has executed leases whereby they are the lessee. A lessee is required to recognize a right to use asset and lease liability upon execution of the long-term lease. The right to use asset is amortized over the shorter of the useful life or the lease term. The lease liability is reduced by the lease payments less amounts related to interest expense.

Capital assets and depreciation

Capital assets are stated at cost except for capital assets conveyed to the Authority by the State which are stated at acquisition value as of the date of contribution. Expenditures in excess of \$5,000 which substantially increase the useful lives of existing assets are capitalized; routine maintenance and repairs are expensed as incurred. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the assets.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority reports

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Notes to Financial Statements
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the deferred outflows related to pension and OPEB in this category. The deferred outflows related to pension include those for the net difference between projected and actual earnings and differences between expected and actual experience. The deferred outflows related to OPEB include those for changes in proportional share and the net difference between projected and actual earnings. The deferred outflows will be amortized over a four-year period.

In addition to assets, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Authority reports the deferred inflows related to pension and OPEB in this category. The deferred inflows related to pension include the changes in proportional share and changes in assumptions. The deferred inflows related to OPEB include those for the differences between expected and actual experience and changes in assumptions. The deferred inflows will be amortized over a four-year period.

Unearned revenue

Unearned revenue is comprised of unspent proceeds from external sources related to the Harbor Development Project; these amounts will be recognized as revenue in subsequent years as the Project expenditures are incurred. Funding received from the State of Connecticut is not considered unearned revenue if unspent, but rather revenue upon receipt of funds.

Application of restricted resources

The Authority will first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Net position

Net investment in capital assets

This category presents the net position that reflects capital assets net of only the debt and lease liabilities applicable to the acquisition or construction of these assets and accumulated depreciation.

Restricted net position

Restricted net position results when constraints placed on net position are either externally imposed by creditors, grantors, contributors, and others, or are imposed by law through constitutional provisions or enabling legislation. When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the Authority considers restricted funds to have been spent first.

Unrestricted net position

This category presents the net position of the Authority, which is not restricted.

Revenues

Revenue recognition policies are as follows:

Appropriations from State

The State of Connecticut provides operational and capital support to the Authority based on legislative action. Revenue is recognized upon receipt of funds.

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Harbor Development revenue

Harbor Development revenues includes initial funding of \$53,750,000 from North East Offshore, LLC ("NEO"), \$15,000,000 from fiscal year 2020 from the Clean Energy Purchase Power Award, and \$7,500,000 for a cumulative initial funding of \$76,250,000 from sources other than State bond funds.

In fiscal year 2024, \$23,750,000 was received from NEO for the Harbor Development Project (the "Project"). These funds were awarded to the Authority as part of the Harbor Development Agreement and are to be used exclusively on the Project expenditures. This revenue is recognized when earned. Any amounts unspent are reported as unearned revenue. As of June 30, 2024, \$21,523,757 was recognized as revenue on the statement of revenues, expenses and changes in net position, and \$2,226,243 has been recognized as unearned revenue on the statement of net position associated with this funding.

Total cumulative funding from non-State bond funds for the Project was \$100,000,000.

Connecticut state pier operating fee revenues

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

Other revenue

All other types of revenues are recognized when earned.

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 \$245,263 for the year ended June 30, 2024.

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.

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.

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As of June 30, 2024, \$24,046,271 of the Authority's cash bank balance of \$24,546,271 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 21,591,644
Uninsured and collateral held by the pledging bank's trust department, in the Authority's name	<u>2,454,627</u>
Total amount subject to custodial credit risk	<u>\$ 24,046,271</u>

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.

As of June 30, 2024, the Authority's total investment in the Short-Term Investment Fund ("STIF") included unrestricted amounts of \$2,000,100. STIF is an investment pool of short-term money market instruments that may include adjustable-rate federal agency and foreign government securities whose interest rates vary directly with short-term money market indices and are generally reset daily, monthly, quarterly, and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The balance in the pool is reported at net asset value, which is representative of the Authority's pool shares. With respect to interest rate risk, the Authority's investment policy follows Connecticut General Statutes.

As of June 30, 2024, STIF had a weighted average maturity of less than 60 days, and as such the investment in STIF is considered to have a maturity of less than one year as of June 30, 2024.

Credit risk

Connecticut General Statutes permit the Authority to invest any funds not needed for immediate use or disbursement in obligations issued or guaranteed by the United States of America or the State of Connecticut including STIF and in other obligations which are legal investments for savings banks in the State and in time deposits or certificates of deposit or other similar banking arrangements secured in such manner as the Authority determines. With respect to credit risk, the Authority's investment policy follows Connecticut General Statutes.

As of June 30, 2024, STIF had an AAAM rating from Standard & Poor's.

Custodial credit risk

For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not invest in securities that are held by counterparties and, as such, no custodial credit risk disclosures are required.

Concentrations of credit risk

With respect to concentrations of credit risk, the Authority's investment policy follows Connecticut General Statutes. As of June 30, 2024, the Authority was 100% invested in STIF, which is rated in the highest rating category by Standard & Poor's and provides daily liquidity.

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Statement of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the statement of net position that sum to the total of the same such amounts in the statement of cash flows:

Cash and cash equivalents	\$ 1,802,118
Restricted cash	<u>22,395,182</u>
	<u><u>\$ 24,197,300</u></u>

The amount included in restricted cash consists of funds restricted for the Harbor Development Project and balance of bond funds reserved for other small harbor projects.

Note 3 - Capital assets

	Depreciable life	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital assets not being depreciated					
Construction in progress		\$ 27,191,610	\$ 33,892,761	\$ 61,084,371	\$ -
Capital assets being depreciated					
Infrastructure improvements	50	236,849,867	61,084,371	-	297,934,238
Leasehold improvements	5	13,203	-	-	13,203
Furniture and fixtures	15	60,940	-	-	60,940
Equipment	5	8,736	1,434	-	10,170
Right to use asset - building	9	155,365	-	-	155,365
Right to use asset - land and track	12	5,227,290	-	-	5,227,290
Total capital assets being depreciated		<u>242,315,401</u>	<u>61,085,805</u>	<u>-</u>	<u>303,401,206</u>
Less accumulated depreciation for					
Infrastructure improvements		1,415,988	5,666,820	-	7,082,808
Leasehold improvements		4,707	2,640	-	7,347
Furniture and fixtures		21,105	3,938	-	25,043
Equipment		9,077	510	-	9,587
Right to use asset - building		57,734	32,305	-	90,039
Right to use asset - land and track		623,065	364,291	-	987,356
Total accumulated depreciation		<u>2,131,676</u>	<u>6,070,504</u>	<u>-</u>	<u>8,202,180</u>
Total capital assets being depreciated, net		<u>240,183,725</u>	<u>55,015,301</u>	<u>-</u>	<u>295,199,026</u>
Total capital assets, net		<u><u>\$ 267,375,335</u></u>	<u><u>\$ 88,908,062</u></u>	<u><u>\$ 61,084,371</u></u>	<u><u>\$ 295,199,026</u></u>

Construction commitments

The Authority has an active construction project as of June 30, 2024. At year end, the Authority's commitments with contractors are as follows:

Project Name	Total Contracts	Expenditures through June 30, 2024	Balance of Contracts
Harbor Development Project	<u>\$ 293,431,434</u>	<u>\$ 289,941,084</u>	<u>\$ 3,490,350</u>

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Note 4 - Lease receivable

Lease receivable agreements are summarized as follows:

Lessee	Description	Payment terms	Expiration date	Renewal options	Quarterly payment at June 30, 2024	Deferred inflow of resources balance at June 30, 2024	Lease receivable balance at June 30, 2024
Gateway/NorthEast Offshore	Port Facilities	10 years	5/19/2033	Initial extension period of 7 years	\$ 500,000	\$ 16,257,311	\$ 16,257,311
						<u>\$ 16,257,311</u>	<u>\$ 16,257,311</u>

On May 19, 2023, Gateway New London, LLC and NEO entered into a ten-year sublease agreement to govern the operation of certain offshore wind turbine generator and nonwind turbine generator uses of the completed modification of the Site and the Port Facilities, which are State of Connecticut assets with property characteristics suitable for a wide variety of marine activities, including staging for off-shore wind development. The agreement is through May 19, 2033 with an initial extension period of seven years. In 2024, the Authority received a total of \$2,000,000 from NEO in lease payments. The Authority has applied an imputed interest rate of 4.2% on the lease. Interest income as of June 30, 2024 was \$267,321.

Annual revenues and requirements to amortize the long-term receivables are as follows:

Year ending June 30,	Lease revenue principal	Lease revenue interest	Total lease receipts
2025	\$ 1,759,196	\$ 240,804	\$ 2,000,000
2026	1,783,954	216,046	2,000,000
2027	1,809,061	190,939	2,000,000
2028	1,833,225	166,775	2,000,000
2029	1,860,321	139,679	2,000,000
2030-2033	<u>7,211,554</u>	<u>288,446</u>	<u>7,500,000</u>
Total	<u>\$ 16,257,311</u>	<u>\$ 1,242,689</u>	<u>\$ 17,500,000</u>

Note 5 - State appropriations and allocations

During the year ended June 30, 2024, the Authority was appropriated \$400,000 by the General Assembly of the State to fund operating expenses. The appropriation is made in connection with the State's annual budgetary process and is nonlapsing. The Authority is dependent upon such annual appropriations to fund its capital and operating expenses.

The State Bond Commission has approved and allocated funding to the Authority for several purposes as noted on the Schedule of Project Allocations in this report. As of June 30, 2024, \$309,148,572 was expended by the Authority on the projects noted, including the Harbor Development Project.

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Note 6 - Harbor Development Agreement

On February 11, 2020, the Authority entered into the Harbor Development Agreement (the "Agreement") with Gateway New London, LLC ("Gateway") and NEO. The Agreement sets forth the terms and conditions of the redevelopment of the New London State Pier Facility (the "Facility") to be utilized as an offshore wind turbine generator hub (the "Project"), as well as the future long-term operations and lease agreements related to the Facility. Gateway, a fully licensed and bonded deep-water marine terminal operator in the business of operating ports, is expected to subcontract and operate the redeveloped site. NEO is an off-shore wind developer providing funding to support the Authority's execution of the Project and it is anticipated that in the future will enter into a sublease agreement with Gateway upon redevelopment of the site.

In fiscal year 2020, the Authority received \$22,500,000 of funding from the Deepwater Wind Funding Commitment paid pursuant to the Connecticut Clean Energy and Connecticut Zero Carbon Requests for Proposals. The funding was paid to the Authority by NEO as of June 30, 2020. This funding was designated to pay wind-down costs of the Facility as well as pre-development and development costs as outlined in the Agreement. In addition, funding from NEO per the Agreement, including amendments to the Agreement, total \$77,500,000 as of June 30, 2024. In 2024, the Authority received \$23,750,000 of the total amount from NEO for Project costs and \$2,000,000 in lease payments. As of June 30, 2024, the Authority reported \$21,523,757 as revenue and \$2,226,243 as unearned revenue associated with this funding.

The Agreement also includes \$20,000,000 of lease payments to be funded in equal installments of \$2,000,000 for a ten-year term. Gateway, NEO and the Authority entered into a Sublease agreement dated May 19, 2023 whereby NEO committed to an annual lease payment in the amount of \$2,000,000 to the Authority. This agreement is for a period of ten years and four quarterly installments in the amount of \$500,000 was received in fiscal year 2024 for a total of \$2,000,000 as described in Note 4 - Lease receivable.

The Authority received from the State \$55,000,000 to fund this Project in fiscal year 2020. In fiscal years 2022 and 2023, the Authority received \$125,000,000 and \$30,000,000 in funding for Project costs, respectively. There was no additional funding from the State for this project in 2024.

As of June 30, 2024, the construction costs of the Project were capitalized as the Project reached full completion for a total cost of \$296,622,517.

The Authority's Concession Agreement with Gateway (executed in January of 2019) remains active, with certain exclusions or modifications as outlined in the Agreement. The Concession Agreement has a 20-year term, with two additional ten-year options for a total maximum term of 40 years.

Note 7 - Related party transactions

The State 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 \$12,927 at June 30, 2024.

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Note 8 - Leases

Lease liability agreements are summarized as follows:

Lessor	Description	Payment terms	Expiration date	Renewal options	Monthly payment at June 30, 2024	Right to use asset balance at June 30, 2024	Lease liability balance at June 30, 2024
Saybrook Juncton	Office Sublease	9 years	6/14/2026	Two successive periods of 3 years each (one remaining)	\$ 3,000	\$ 65,326	\$ 65,326
New England Central Railroad	Land and Track	12 years	3/31/2032	One successive period of 10 years	49,904	4,239,934	3,944,877
						<u>\$ 4,305,260</u>	<u>\$ 4,010,203</u>

On June 12, 2017, the Authority entered into a nine-year sub-lease agreement with Saybrook Junction, LLC, an unrelated third party, for an additional 850 square feet of office space located in Old Saybrook, Connecticut being used by the Authority for additional office space. The original lease commenced on June 15, 2017. The lease provided for a base annual rent of \$13,600 payable in monthly installments of \$1,333. Effective June 15, 2018, the lease agreement was amended to extend the term of the lease until June 14, 2020 and modify the lease base annual rent to \$24,768 payable in monthly installments of \$2,064. Effective May 1, 2021, the lease agreement had a second amendment to extend the term of the lease until June 14, 2023 and modify the lease base annual rent for the period of May 15, 2021 through June 14, 2023 to be \$32,400 payable in monthly installments of \$2,850.

Effective June 15, 2023, the Authority exercised the first option to extend the lease agreement for an additional three years through June 14, 2026. The extended lease base annual rent for the period of June 15, 2023 to June 14, 2026 is modified to \$36,000 payable in monthly installments of \$3,000. The Authority may cancel the lease at any time after June 14, 2023 with six months' prior written notice to the Landlord. The Authority may extend the initial term of the lease for one additional successive periods of three years each, provided it is not then in default of the lease terms and it gives proper notice. The imputed interest rate on this lease is 3.6%. For the year ended June 30, 2024, interest expense amounted to \$3,695.

A Land and Track lease agreement with New England Central Railroad was entered into in March 2020 for the lease of property near the State Pier in the City of New London, Connecticut through March 31, 2032. The agreement requires annual payments of \$525,000 in advance and will increase by 4% annually. An additional 1.5% per month is due if the fee is not received within 30 days of the due date. The lease contains an option to renew for ten years.

Effective April 1, 2023, the Authority entered into a lease agreement with State of Connecticut Department of Transportation to lease a motor vehicle parking lot. The term of the lease is ten years with payments of \$300 per month for the first year and increasing up to \$376 per month in the final year. Due to the insignificant balance of the lease, these amounts are recognized as expenses when incurred and not part of the long-term liability.

The beginning balance of the lease liability as of July 1, 2023 was \$4,435,798. During fiscal year 2024, the increases to the liability were \$0 and the payments against the liability were \$425,595. The ending balance of the lease liability as of June 30, 2024 was \$4,010,203. The imputed interest rate on these leases is 3.6%. For the year ended June 30, 2024, interest expense amounted to \$57,697.

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Future lease payments are offset by prepaid rent paid as a result of annual payments being made according to the lease agreement start date. Future minimum lease payments including the prepayment offset are as follows:

Year ending June 30,	Lease principal
2025	\$ 135,460
2026	473,600
2027	484,481
2028	530,673
2029	576,563
2030-2032	<u>1,809,426</u>
Total	<u>\$ 4,010,203</u>

Note 9 - Pension Plan

Plan description

Eligible employees of the Authority participate in the State Employees' Retirement System ("SERS" or "Plan"). SERS is the single employer defined benefit pension plan of the State'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, 2024, five Authority employees were participants in the Plan.

Contributions

Contributions made by the State on behalf of the Authority were determined on a pay period basis through the Authority's use of the State's system for payroll processing and reporting. Payroll for employees of the Authority for the year ended June 30, 2024 was \$420,674.

The Authority has made total pension payments in the amount of \$213,746 to the State, which are recorded in the Authority's salaries and related expense in the accompanying statement of revenues, expenses and changes in net position for the year ended June 30, 2024.

Administrative costs of the Plan are funded by the State.

The total net pension liability of the SERS as of June 30, 2023 was \$20.745 billion, the most recent available reporting provided by the Plan. The portion that was associated with the Authority totaled \$1,359,389. The Authority's proportion measured as of June 30, 2023 was 0.00655% of the total estimated net pension liability, which was an increase of 0.00068% from its proportion measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The portion of the net pension liability associated with the Authority was based on a projection of the long-term share of contributions to the Plan related to the Authority relative to the projected contributions of all participants, actuarially determined. The pension expense attributed to the Authority totaled \$114,021 for the year ended June 30, 2023.

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As of June 30, 2023, the latest measurement date for which Plan information is currently available, the Authority's proportionate share is as follows:

Total SERS contributions	Contribution rate	Covered payroll	Authority contributions	Authority proportionate share
\$3,261,874,000	78.24%	\$ 420,674	\$ 213,746	0.00655%

The components of the net pension liability of the Authority is based on the Authority's proportionate share of 0.00655% as of June 30, 2023, the latest measurement date for which Plan information is currently available, and is as follows:

Total pension liability	\$ 2,751,019
Plan fiduciary net position	1,391,630
Net pension liability	\$ 1,359,389

Plan fiduciary net position as a percentage of the total pension liability was 50.59% as of June 30, 2023.

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation		2.50%
Salary increases	3.00% - 11.50% (includes inflation)	
Investment rate of return	6.90% (includes inflation)	

Mortality rates are based on the Pub-2010 Above Median Mortality Tables (Amount-weighted) projected generationally with MP-2020 improvement scale.

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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 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>
Global Equity	37.0%	6.8%
Public Credit	2.0%	2.9%
Core Fixed Income	13.0%	0.4%
Liquidity Fund	1.0%	-0.4%
Risk Mitigation	5.0%	0.1%
Private Equity	15.0%	11.2%
Private Credit	10.0%	6.1%
Real Estate	10.0%	6.2%
Infrastructure and Natural Resources	7.0%	7.7%

Deferred inflows/outflows of resources

Deferred inflows and outflows of resources represent an acquisition of net position that applies to a future period(s) and such amounts will not be recognized as an inflow or outflow of resources until that time. The State recognizes deferred inflows and outflows of resources in its government-wide statement of net position for deferred amounts on pension benefits resulting from changes in the components of the SERS's net pension liability. These amounts are deferred and amortized as a component of pension expense.

The Authority's share of deferred outflows and inflows of resources for the difference between expected and actual experience, the net difference between projected and actual investment earnings on the Plan's investments, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions total a net deferred outflow of \$99,112 as of June 30, 2023.

The net deferred inflows are expected to be amortized over the next five years in the amounts of \$(7,728), \$31,587, \$47,566, \$20,205 and \$7,482, respectively.

Discount rate

The discount rate used to measure the total pension liability of the SERS was 6.90%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the State contributes at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current Plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future Plan members and their beneficiaries, as well as projected contributions from future Plan members, are not included. Based on those assumptions, the SERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected

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rate of return on pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Authority's proportionate share of the Plan, calculated using the discount rate of 6.90% as well as what the Authority's proportionate share of the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1% Decrease 5.90%	Current discount rate 6.90%	1% Increase 7.90%
Net Pension Liability As of June 30, 2023	\$ 1,687,270	\$ 1,359,389	\$ 1,086,064

Detailed information about the Plan's fiduciary net position is included in the State of Connecticut's basic financial statements.

Note 10 - Other post-employment benefits

Plan description

Employees of the Authority participate in the State of Connecticut State Employees' Other Post-employment Benefits Plan ("SEOPEBP" or "Plan"), which is administered by the State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees' Retirement Commission. Actuarial valuations are performed on the SEOPEBP as a whole. Information about the funding status and progress, annual required contributions and trend information can be found in the State of Connecticut's Annual Comprehensive Financial Report. Information regarding the Plan as it relates to the Authority and its proportionate share as it relates to GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, for the June 30, 2023 valuation for the reporting period June 30, 2024 is as follows.

The SEOPEBP provides various insurance benefits for retired participants under this single-employer defined benefit OPEB Plan. The Plan provides healthcare and life insurance benefits to eligible retired State employees and their spouses.

Contributions

The Plan is primarily funded on a pay-as-you-go basis. The contribution requirements of the State are established and may be amended by the State legislature, or by agreement between the State and employee unions, upon approval by the State legislature. The Authority's portion of the contributions was \$100,922 for the year ended June 30, 2024.

Net OPEB liability

The total net OPEB liability of the SEOPEBP as of June 30, 2023 was \$15.599 billion, the most recent available reporting provided by the Plan. The portion that was associated with the Authority totaled \$1,850,934. The Authority's proportion measured as of June 30, 2023 was 0.011866% of the total estimated net OPEB liability, which was a increase of 0.00333% from its proportion measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The portion of the net OPEB liability associated with the Authority was based on a projection of the long-term share of contributions to

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the Plan related to the Authority relative to the projected contributions of all participants, actuarially determined.

Deferred inflows/outflows of resources

Deferred inflows and outflows of resources represent an acquisition of net position that applies to a future period(s) and such amounts will not be recognized as an inflow or outflow of resources until that time. The State of Connecticut recognizes deferred inflows and outflows of resources in its government-wide statement of net position for deferred amounts on OPEB benefits resulting from changes in the components of the net OPEB's liability. These amounts are deferred and amortized as a component of OPEB expense. The Authority's share of deferred outflows and inflows of resources for the net difference between projected and actual investment earnings on the Plan's investments, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions total a net deferred outflow of \$164,055 as of June 30, 2023. The net deferred outflows are expected to be amortized over the next five years in the amounts of (\$3,180), (\$11,522), \$44,439, \$113,795 and \$20,523, respectively.

Discount rate

The discount rate used to measure the total OPEB liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that the Authority's contributions will be made at rates equal to the actuarially determined contribution rates.

Actuarial methods and assumptions

For the June 30, 2023 actuarial valuation, the valuation method used was the entry age normal-level percentage of payroll actuarial cost method. The actuarial assumptions include a 6.90% investment rate of return, which is the rate of the expected long-term investment returns calculated based on the funding policy of the Plan at the valuation date.

The annual healthcare cost trend was 4.5% and the remaining amortization period is 16 years.

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The long-term expected rate of return on OPEB 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Global Equity	37.0%	6.8%
Public Credit	2.0%	2.9%
Core Fixed Income Fund	13.0%	0.4%
Liquidity Fund	1.0%	-0.4%
Risk Mitigation	5.0%	0.1%
Private Equity	15.0%	11.2%
Private Credit	10.0%	6.1%
Real Estate	10.0%	6.2%
Infrastructure and Natural Resources	7.0%	7.7%

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the Authority's proportional share of the net OPEB liability, calculated using the discount rate of 6.90%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1% Decrease 5.90%	Current discount rate 6.90%	1% Increase 7.90%
Net OPEB Liability As of June 30, 2023	\$ 2,151,989	\$ 1,850,934	\$ 1,604,429

**Connecticut Port Authority
(A Component Unit of the State of Connecticut)**

**Notes to Financial Statements
June 30, 2024**

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the Authority's proportional share of the net OPEB liability, calculated using the healthcare cost trend rate of 4.50%, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current rate:

	1% Decrease 3.50%	Current trend rate 4.50%	1% Increase 5.50%
Net OPEB Liability	\$ 1,602,167	\$ 1,850,934	\$ 2,156,260

Note 11 - Concentrations

The Authority recognized 2% of revenues from State Appropriations and 96% of revenues from NEO as funding for the Harbor Development and other projects as well as lease rent payments and State Pier operating fee payments during the year ended June 30, 2024.

Note 12 - 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.

Required Supplementary Information

Connecticut Port Authority

Connecticut State Employees' Retirement System

Required Supplementary Information

**Schedule of Proportionate Share of Net Pension Liability
June 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020*</u>
CPA's proportion of the collective net pension liability	0.00655%	0.00587%	0.00761%	0.00519%	0.00835%
CPA's proportionate share of the collective net pension liability	<u>\$ 1,359,389</u>	<u>\$ 1,294,084</u>	<u>\$ 1,617,325</u>	<u>\$ 1,231,154</u>	<u>\$ 1,904,138</u>
CPA's covered payroll	<u>\$ 420,674</u>	<u>\$ 460,816</u>	<u>\$ 354,676</u>	<u>\$ 319,085</u>	<u>\$ 229,885</u>
CPA's proportionate share of the collective net pension liability as a percentage of its covered payroll	<u>323.15%</u>	<u>280.82%</u>	<u>456.00%</u>	<u>385.84%</u>	<u>828.30%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>50.59%</u>	<u>45.76%</u>	<u>44.55%</u>	<u>35.84%</u>	<u>36.79%</u>

*Note: This schedule is intended to present information for 10 years. Additional years will be presented as they become available. The first available information was reporting date June 30, 2020 measured at June 30, 2019.

Schedule of Contributions

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020*</u>
Contractually required contribution	<u>\$ 213,746</u>	<u>\$ 167,177</u>	<u>\$ 135,909</u>	<u>\$ 83,884</u>	<u>\$ 137,908</u>
Contributions in relation to the contractually required contribution	<u>213,746</u>	<u>167,177</u>	<u>135,909</u>	<u>83,884</u>	<u>137,908</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CPA's covered payroll	<u>\$ 420,674</u>	<u>\$ 460,816</u>	<u>\$ 354,676</u>	<u>\$ 319,085</u>	<u>\$ 229,885</u>
Contributions as a percentage of covered payroll	<u>50.81%</u>	<u>36.28%</u>	<u>38.32%</u>	<u>26.29%</u>	<u>59.99%</u>

*Note: This schedule is intended to present information for 10 years. Additional years will be presented as they become available. The first available information was reporting date June 30, 2020 measured at June 30, 2019.

Connecticut Port Authority

Connecticut State Employees' Retirement System

**Pension Notes to Required Supplementary Information
June 30, 2024**

Changes of benefit terms	None
Changes in assumptions	<p>2024 - None 2023 - None 2022 - None 2021 - Wage Inflation assumed rate changed from 3.5% to 3.00%. Assumed Salary Scale changed to reflect experience in wage inflation rates of increase. Assumed rates of mortality have been revised to the Pub-2010 Above Median Mortality Tables (Amount-weighted) projected generationally with MP-2020 improvement scale. Assumed rates of withdrawal, disability, and retirement have been adjusted to reflect experience more closely. 2020 - None</p>
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay, closed 5-year phase into level dollar
Single equivalent amortization period	24.8 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increase	3.50% - 11.50%, average, including inflation
Investment rate of return	6.90%, net of investment related expense

Connecticut Port Authority

Connecticut State Employees' Retirement System

Required Supplementary Information

**Schedule of Proportionate Share of Net OPEB Liability
June 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020*</u>
CPA's proportion of the collective net OPEB liability	0.01187%	0.00854%	0.00799%	0.00611%	0.01042%
CPA's proportionate share of the collective net OPEB liability	\$ 1,850,934	\$ 1,323,985	\$ 1,559,753	\$ 1,438,830	\$ 2,154,432
CPA's covered payroll	\$ 420,674	\$ 460,816	\$ 354,676	\$ 319,085	\$ 229,885
CPA's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	439.99%	287.31%	439.77%	450.92%	937.18%
Plan fiduciary net position as a percentage of the total OPEB liability	14.60%	12.63%	10.12%	6.13%	5.47%

*Note: This schedule is intended to present information for 10 years. Additional years will be presented as they become available. The first available information was reporting date June 30, 2020 measured at June 30, 2019.

Schedule of Contributions

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020*</u>
Contractually required contribution	\$ 100,922	\$ 72,437	\$ 69,337	\$ 53,005	\$ 78,432
Contributions in relation to the contractually required contribution	100,922	72,437	69,337	53,005	78,432
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
CPA's covered payroll	\$ 420,674	\$ 460,816	\$ 354,676	\$ 319,085	\$ 229,885
Contributions as a percentage of covered payroll	23.99%	15.72%	19.55%	16.61%	34.12%

*Note: This schedule is intended to present information for 10 years. Additional years will be presented as they become available. The first available information was reporting date June 30, 2020 measured at June 30, 2019.

Connecticut Port Authority

Other Post-Employment Benefit Plan

**OPEB Notes to Required Supplementary Information
June 30, 2024**

Changes of Benefit Terms.	None
Changes of Assumptions.	<p>2023: The discount rate was updated to 6.90% as of June 30, 2023 for contributory members and 3.65% as of June 30, 2023 for non-contributory members. The per capita health costs, administrative expenses and retiree contributions were updated for recent experience. The actuarial factors used to estimate individual retiree and spouse costs by age and gender were updated. The health care cost trend rates and the retiree contribution increase rates were revised to reflect current experience and future expectations. The Medicare prescription drug trend rates were updated to reflect an estimate for the impact of the Inflation Reduction Act.</p> <p>2022: The discount rate was updated in accordance with GASB Statement No. 75 to 3.90% as of June 30, 2022.</p> <p>2021: The discount rate has been changed from 2.38% to 2.31%.</p> <p>2020: The discount rate was updated in accordance with GASB Statement No. 75 to 2.38% as of June 30, 2020. The trends for Medicare-eligible retiree costs were updated to reflect final negotiated changes in Medicare Advantage rates for calendar year 2022.</p>

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Valuation date	June 30, 2023
Actuarial cost method	Entry age normal - level percentage of payroll
Amortization method	Payments increase 3.00% per year
Remaining amortization period	16 years
Asset valuation method	Market value
Investment rate of return	6.90%
Payroll growth rate	3.00%

Supplementary Information

**Connecticut Port Authority
(A Component Unit of the State of Connecticut)**

**Schedule of Project Allocations
Year Ended June 30, 2024**

Project Name	Allocated as of June 30, 2024	Expended through June 30, 2023	Expended July 1, 2023 through June 30, 2024	Cumulative Expenditures through June 30, 2024	Remaining Accrual Allocation as of June 30, 2024
State Appropriated Bond Allocations					
Small Harbor Improvement Projects Program (SHIPP)	\$ 4,011,650	\$ 3,281,650	\$ 210,900	\$ 3,492,550	\$ 519,100
State Pier - Infrastructure Improvement and Long-Term Capital Maintenance	4,560,000	4,222,066	89,233	4,311,299	248,701
Pier 7 Design	750,000	227,945	41,452	269,397	480,603
East Shore Properties Purchase	751,000	360,000	697,500	697,860	53,140
New Haven Port Authority Freight Study	500,000	-	-	-	500,000
Improvements at the State Pier in New London	210,500,000	186,568,991	12,279,769	198,848,760	11,651,240
Eastern LI Sound Planning	641,106	44,506	138	44,644	596,462
Piping Plovers	99,465	99,465	-	99,465	-
Statewide Economic Development Strategies	522,821	189,410	-	189,410	333,411
SHIPP 2: Clinton-Update Harbor Management Plan/Study Harbor	40,000	-	-	-	40,000
SHIPP 2: West Haven-Boat Ramp Feasibility Study	184,000	-	-	-	184,000
SHIPP 2: Norwich-Municipal Marina	544,020	-	-	-	544,020
SHIPP 2: Stamford-West Beach Boat Ramp and Docks	163,847	-	163,847	163,847	-
SHIPP 2: Groton City-Access to Municipal Dock Study	75,000	-	-	-	75,000
SHIPP 2: Groton City - New Thames Street Dock	649,333	-	-	-	649,333
SHIPP 2: Stamford-Westcott Cove Channel Dredging	1,200,000	-	1,200,000	1,200,000	-
SHIPP 2: Chester-Chester Creek Dredging	100,000	99,987	-	99,987	13
New Haven Harbor Dredging	5,000,000	980,000	-	980,000	4,020,000
SHIPP 3: Branford-Point Wharf	1,000,000	-	213,560	213,560	786,440
SHIPP 3: Stratford-Emergency Service Dock Project	250,000	-	-	-	250,000
SHIPP 3: Stonington-Town Dock North Pier	63,346	-	-	-	63,346
SHIPP 3: Norwich-Brown Memorial Park Dock Replacement	289,490	-	-	-	289,490
SHIPP 3: Stamford-Cove Island Park Marina Channel Dredging	3,095,520	-	14,036	14,036	3,081,484
SHIPP 3: Stamford-Cummings Marina Final Design and Permitting	236,500	-	-	-	236,500
SHIPP 3: Stamford-Harbor Boat Launch Feasibility Study	20,000	-	-	-	20,000
SHIPP 3: Norwich-Heritage Riverfront Walkway Overlook Enhancement Project	45,000	-	-	-	45,000
SHIPP 3: Norwich-Harbor Access Study	44,000	-	-	-	44,000
Army Corp Study Dredging	1,500,000	-	-	-	1,500,000
Long Island Study Dredging	1,500,000	750,000	-	750,000	750,000
Total State Appropriated Bond Allocations	\$ 238,336,098	\$ 196,464,380	\$ 14,910,435	\$ 211,374,815	\$ 26,961,283
Other Projects					
Harbor Development Project (DWMV Funded)	\$ 22,500,000	\$ 22,500,000	\$ -	\$ 22,500,000	\$ -
Harbor Development Project (NEO Funded)	77,500,000	53,750,000	21,523,757	75,273,757	2,226,243
Total Other Projects	\$ 100,000,000	\$ 76,250,000	\$ 21,523,757	\$ 97,773,757	\$ 2,226,243

This schedule reports cumulative expenditures on the accrual basis and, therefore, the remaining allocation amount may not agree to the State of Connecticut CORE system.

See Independent Auditor's Report.

Independent Auditor's 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*

To the 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 business-type activities of the Connecticut Port Authority (the "Authority"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 21, 2024.

Report on 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") as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Hartford, Connecticut
November 21, 2024



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