

Solakian & Company, LLC

Certified Public Accountants

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CERTIFICATE OF DELIVERY

This is to certify that the within is a true and exact copy of that furnished the Tweed-New Haven Airport Authority.

I further certify that the original of this report was delivered to Matthew Hoey III, Chairman, on the 29th day of February, 2024.

Solakian & Company, LLC

Solakian & Company, LLC



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT
OFFICE OF FINANCE

FY 2022-23 MUNICIPAL AUDIT QUESTIONNAIRE

❖ This Questionnaire is required to be submitted to OPM with the audit reports of municipalities and audited agencies (as defined under Section 7-391 of the Connecticut General Statutes).

Name of Auditee _____

Fiscal Period under Audit _____

(Audit Firm Name)

(Signature)

(Date)

This Questionnaire was reviewed with and a copy given to:

_____ on _____
Name of Municipal Official Date

_____ Telephone
Title of Municipal Official

	<u>YES</u>	<u>NO</u>	<u>NA</u>
1. Did you inform the town, city or Borough clerk of that part of Section 7-394 of the General Statutes which provides that within one week after receiving the audit report he/she shall cause to be published a legal notice in a newspaper having a substantial circulation in the municipality that the report is on file in said clerk's office?	_____	_____	_____
2. Did you obtain a letter from municipal counsel with respect to unpaid or pending judgments and as to any other legal proceeding affecting the municipality's finances?	_____	_____	_____
3. Were financial statements and/or books and records of the entity made available within a reasonable time after the close of the fiscal year?	_____	_____	_____
4. Did the entity issue tax anticipation notes (TANs) or revenue anticipation notes (RANs) during the fiscal year?	_____	_____	_____
5. Was a separate management letter issued in addition to the Internal Control Report? If so, it must be submitted to the Office of Policy and Management with the audit report.	_____	_____	_____
6. Were municipal officials (including the chief elected or executive official and governing body of the municipal entity) made aware of findings and recommendations resulting from the audit?	_____	_____	_____
7. Did you clearly identify in the report each repeated audit finding and identify the fiscal year in which the finding initially occurred?	_____	_____	_____
8. Were there any audit findings repeated from both of the two most prior fiscal year ended audits? (FY 2021 and 2022)	_____	_____	_____
9. Were municipal officials made aware of section 2(c) of P.A. 23-197 for a public meeting to be held when the OPM Secretary makes certain findings based upon the review of the audit report?	_____	_____	_____
10. Federal Single Audit Act as Amended, 1996; Uniform Guidance for Federal Awards (Title 2 of CFR, 12/26/13)			
(a) Did you conduct a Single Audit of Federal Financial Assistance expended by the entity for FY 2022-23?	_____	_____	_____
(b) Is a copy of the Single Audit included in the reporting package submitted?	_____	_____	_____

YES NO NA

11. State Single Audit (SSA) Act (C.G.S. 4-230 to 4-236) and Regulations to the SSA Act

- | | | | | |
|-----|--|-------|-------|-------|
| (a) | Did you conduct a Single Audit of state financial assistance expended by the entity for FY 2022-23 or a program-specific audit of the entity's sole state program? | _____ | _____ | _____ |
| (b) | Is a copy of the State Single Audit or program-specific audit included in the reporting package submitted? | _____ | _____ | _____ |
| (c) | If applicable, did officials prepare a Corrective Action Plan (CAP) in sufficient time for inclusion in the audit report package [C.G.S. Sec.4-233(d)] to be filed with OPM as the cognizant state agency? | _____ | _____ | _____ |
| (d) | Did you upload the corrective action plan with the audit report package on OPM's Electronic Audit Reporting System? | _____ | _____ | _____ |



TWEED-NEW HAVEN AIRPORT AUTHORITY

Government-wide Financial Statements and Single Audit Reports

Year ended June 30, 2023

TWEED-NEW HAVEN AIRPORT AUTHORITY

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Independent Auditor's Report

To the Board of Directors of
Tweed-New Haven Airport Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Tweed-New Haven Airport Authority* (Authority) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. 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 opinions.

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 opinions. 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 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 and budgetary comparison information on pages 1-15 and 41 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 accompanying supplementary information, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 February 21, 2024, on our consideration of 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 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 Authority's internal control over financial reporting and compliance.



February 21, 2024

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

The Tweed New Haven Airport Authority (the "Authority") offers readers the following overview and analysis of the financial activities at the Tweed-New Haven Airport ("HVN" or the "Airport") for the fiscal year ended June 30, 2023 ("FY23"). Complete financial information begins on page 16.

The Authority experienced record traffic in FY23 from the continued growth of Avelo Airlines ("Avelo"). During the twelve-month period from July 2022 through June 2023 HVN enplaned 465,538 passengers, a 195% increase over FY22. Avelo currently serves 17 non-stop destinations from New Haven and has about 300 based employees.

In June 2021, the Authority, Avelo, and Avports, as manager of the Airport, entered into a Three-Party Agreement that led to significant upgrades to the existing westside terminal, traffic circulation, and parking. The Three-Party Agreement was followed by a 43-year Lease and Development Agreement (the "Lease") with The New HVN, LLC (the "Lessee") (an Avports affiliate company) that included plans for future airfield enhancements and a new eastside terminal. That agreement was executed on August 19, 2022, followed by an extension of the Management Agreement with Avports operating under the new name of Avports HVN, LLC (the "Manager").

The starting point for these agreements was an Amended and Restated Lease and Operating Agreement between the City of New Haven (the "City") and the Authority, extending the existing Airport lease through 2064. This agreement no longer anticipates the City providing subsidies for Airport operations or financial assistance for Airport capital projects.

The changes to the Authority's operating and financial structure necessitated by these agreements are reflected in the FY23 financial statements. Under the Lease, in return for the Lessee agreeing to fund certain expenses and the local share of required Airport capital projects, the Lessee retains the rights to terminal related revenues such as car parking revenues, rental car concessions, and other rents and fees related to certain Airport property. Therefore, after August 19, 2022, these revenues, along with terminal related operating expenses, are no longer recorded by the Authority.

The FY23 financial statements will show the two new accounts, an Administration Fund and an Airfield Fund, in addition to the previously presented General Fund, Passenger Facility Charge ("PFC") Fund, and Capital Fund. The Lease required the creation of an Airfield account to record revenues and expenses associated with the airfield. The Lessee is required to subsidize any deficits in the Airfield account. The Authority also created an Administration ("Admin") Fund to receive lease revenue from the Lessee and from which it pays administrative costs such as Authority staff salaries and benefits, and legal, accounting, audit, and consulting services. Should there be any surplus in the Admin fund at the end of the fiscal year, this is to be transferred to an Airport Reserve Fund. There was no surplus in FY23.

On December 22, 2023, the Authority received a Finding of No Significant Impact ("FONSI") from the Federal Aviation Administration ("FAA") on an Environmental Assessment ("EA") that analyzed the impacts of projects identified in the recent Master Plan, including an extension of

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Runway 2-20 and construction of a new eastside terminal and supporting infrastructure. This decision allows the Authority and the Lessee to begin implementation of the proposed projects.

The long-term agreements with the Lessee and the Manager transfer significant financial risks from the Authority and eliminate reliance on State of Connecticut (the "State") and City subsidies to fund operating and capital costs. Significant steps remain with regards to governmental permitting and securing the necessary public and private financing of the airfield and eastside terminal improvements. However, the Lessee has elected to begin the design phase of the runway extension project and terminal development at their risk, anticipating future reimbursements. This financial flexibility is a benefit to the airport from the public-private partnership ("P3").

Financial Highlights

- Total net position was \$42,107,635 at the close of the fiscal year. Of this amount, \$218,643 represents unrestricted net position. Net position restricted for Capital Projects amounted to \$39,735,701 and the net position restricted in the PFC account totaled \$2,153,291.
- General Fund revenues for FY23 were \$3,253,739, a decrease of \$3,376,625 from FY22. The decrease was due to the execution of the Lease. Revenues, including parking and sublease income, previously recognized in the General Fund were assigned to the Lessee as of August 19, 2022. Lease revenue from the new Lease is now recognized in the newly created Admin Fund.
- Total assets of the Authority were \$61,477,848 on June 30, 2023, an increase of \$14,698,133 from FY22. Of this increase, \$12,729,854 is directly related to the new Lease. Under Government Accounting Standards Board Statement No. 87, Leases, ("GASB 87"), a lessor is required to recognize, for each lease, a lease receivable and a deferred inflow of resources. The lease receivable is measured at the present value of lease payments expected to be received during the term of the lease. The Authority also recognized a deferred inflow in an amount equal to the lease receivable. Deferred inflows of resources apply to future reporting periods and serve as reductions of net position. The deferred inflow of resources is recognized into income over the term of the lease.
- The operating subsidy from the City in FY23 totaled \$162,500. This amount is a reduction from FY22 when the City subsidy was \$300,000. No operating subsidy from the State was received in FY23. This amount was reduced from \$750,000 in FY22 and \$1,500,000 in prior years. City and State subsidies represented 51% of airport General Fund revenues in FY21, 16% in FY22, and 5% in FY23. There are no anticipated City or State operating subsidies in future years.

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TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Financial Highlights (continued)

- General Fund revenues for FY23 included an American Rescue Program Act grant in the amount of \$1,240,815. This grant is from the third round of coronavirus disease 2019 (“COVID 19”) economic assistance packages available for airports, following awards under Coronavirus Aid, Relief, and Economic Security and Coronavirus Response and Relief Supplemental Appropriations programs in prior years.
- General Fund expenses for FY23 were \$1,588,933, or 76% lower than FY22. Under the Lease, the Lessee assumed responsibility for terminal expenses and Airport facilities. General Fund expenses for FY23 represent Authority obligations through August 19, 2022. Total General Fund expenses were \$398,410 higher than the annualized budgeted amount. This is largely attributable to an increase in legal and professional fees associated with the Authority’s new agreements with the Manager and the City.
- Admin Fund revenues for FY23 were \$588,514 and consisted of lease and related interest income, revenue sharing from the Lessee, and certain expense reimbursements.
- Admin Fund expenses were \$655,997 for FY23 and are comprised of Authority management costs and professional fees. Admin Fund expenses were \$240,381 higher than the annualized budget, due primarily to legal and professional fees incurred in complying with Freedom of Information Act requests and advancing the EA.
- Under the agreements entered into in August 2022, the Manager will manage the airfield as agent for the Authority. The Authority will continue to collect fuel flowage and landing fees and reimburse the Manager for airfield related expenses. If airfield expenses exceed revenues, any deficit is paid by the Lessee. It is expected that there will be an airfield deficit for at least the next several years due to current activity levels and the nature of agreements with airfield users.
- Airfield related revenues and expenses are accounted for in the newly created Airfield Fund.
- Airfield expenses were \$2,428,137 in FY23, which included \$1,461,605 in payroll related expenses. Total expenses were \$229,550 or 9% lower than the annualized budgeted amount of \$2,657,687.
- Airfield revenues in FY23 were \$387,881, prior to the reimbursement of operating deficits. Total Airfield Fund expenses exceeded revenues by \$2,040,256. This deficit was reimbursed by the Lessee under the terms of the Lease.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Financial Highlights (continued)

- Authority management expenses represent Executive Director payroll and related benefits as well as other administrative costs such as dues and memberships. The Executive Director is an employee of the Greater New Haven Chamber of Commerce and payroll costs are reimbursed by the Authority. The Executive Director manages non-aviation Authority functions including government affairs, community relations, and oversight of Authority agreements. Authority management expenses incurred by the General and Admin Funds were \$168,910 in FY23, an increase of 28% from FY22.
- Professional fees include legal, accounting, consulting expenses, and the services of the independent auditor. Total expenses for these services incurred by the General and Admin Funds during FY23 were \$1,065,284. Professional fees were lower than the total of \$2,155,361 spent on these items in FY22 and higher than the FY23 budget figure of \$258,082, a majority of which were related to negotiating the new Lease.
- A total of \$1,600,000 of professional fees incurred during the negotiation and development of the new agreements were reimbursed by the Manager following execution of the documents, and the Authority is entitled to other reimbursements under the Lease. The Authority recognized \$1,033,658 in reimbursements in FY22 and \$566,342 in FY23 related to the negotiation of the new agreements. The Authority also recognized another \$51,205 in other professional fee reimbursements in FY23 for certain professional fees incurred after the effective date of the new Lease.
- The balance sheet reflects that unrestricted cash and cash equivalents were \$328,497. Cash and cash equivalents in all five Funds were \$7,169,453 on June 30, 2023. In FY22, the Authority entered into a long-term project loan for certain improvements at the Airport. The balance outstanding on June 30, 2022 of \$6,758,363 was assumed by the Lessee following execution of the Lease and recognized as income by the Authority during FY23. However, under certain circumstances, including Authority default under the Lease or the Lessee being unable to reach financial close, portions of the loan and related costs may become payable by the Authority.

Management believes that future cash flow from the Lease, together with government Airport Improvement Program (“AIP”) grants, contractual reimbursements, and other sources will be adequate to meet its anticipated financial obligations as set forth in the FY24 Budgets for the Airfield and Admin Funds.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Overview of the Financial Statements

The management's discussion and analysis is intended to serve as an introduction to the basic financial statements and the notes to the financial statements. The statements and notes are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The basic financial statements include two kinds of financial statements that present different views of the Authority. The first two statements are government-wide financial statements, the statement of net position and the statement of activities (on pages 16 and 17); and provide information about the activities of the Authority as a whole. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Both long-term assets and long-term liabilities are measured using this basis of accounting. The remaining statements are fund financial statements that focus on individual parts of the Authority, reporting the Authority's General Fund operations in more detail than the government-wide financial statements, and start on page 18.

The fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under this focus, long-term assets and liabilities are not reported. Instead, this measurement looks at whether the financial resources obtained during the period are enough to meet the expenditures of the entity. Revenues are reported as collected. Revenues can be reported as collected if they are expected to be collected soon enough after the current accounting period to be available to pay current year liabilities. Expenditures are reported when incurred and measurable as in the accrual basis method.

Government-Wide Statements

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Authority's assets and liabilities. All current year revenues and expenses are reported in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Authority's net position and how it has changed. Net position—the difference between the Authority's assets and liabilities—is one way to measure the Authority's financial health, or position.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's most significant funds. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes.

The operations of the Authority are reported in the governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. Governmental funds, unlike the government-wide financial statements, focus on near-

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TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Fund Financial Statements (continued)

term inflows and outflows of spendable resources, as well as spendable resources at the end of the year. Such information is useful in evaluating the Authority's near-term financing needs. The governmental activities presented in the statement of net position and the statement of activities is reconciled to the governmental funds in the balance sheet and the statement of revenues, expenditures, and changes in fund balance.

The Authority now maintains five individual governmental funds: the General Fund, the Airfield Fund, the Admin Fund, and two special revenue funds. The General Fund historically accounted for the basic operations of the Airport. Following August 19, 2022, few transactions are expected to occur through this Fund. The Airfield Fund is used to account for Airfield revenues and expenses as well as reimbursements from the Lessee. The Admin Fund receives rents and revenue share from the Lessee and utilizes these revenues to pay for Authority administrative expenses. The Restricted Fund for PFCs is used to account for the collection and disbursement of PFCs. Cash in this governmental fund may only be spent on eligible projects with prior FAA approval. The Restricted Fund (Capital Projects) is comprised of FAA and U.S. Department of Transportation ("DOT") reimbursements received for prior payments made by the Authority, interest earned on deposits, and revenues recognized for payments made by the Lessee for capital projects on behalf of the Authority. These funds were appropriated for capital projects and are restricted for such use. The fund financial statements can be found on pages 18 and 19.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Government-Wide Financial Analysis

Net Position

The Authority's net position increased \$14,156,269 during FY23. Total net position includes \$39,735,701 of land, equipment, and capital improvements. Total unrestricted net position reflects a balance of \$218,643, an increase of \$1,598,318 from FY22. The Statement of Net Position on June 30, 2023 is shown below:

<i>Assets</i>	Governmental <u>Activities</u>
Current assets:	
Cash and cash equivalents	\$ 328,497
Accounts receivable, net	953,829
Lease Receivable	146,041
Grants and government reimbursements receivable, net	801,951
Prepaid expenses	<u>87,060</u>
Total current assets	<u><u>2,317,378</u></u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents-Passenger Facility Charges	1,828,583
Cash and cash equivalents-Capital Fund	5,012,373
Capital assets:	
Capital assets-Land	2,579,182
Capital assets-Capital projects in progress	8,006,804
Capital equipment and improvements, net	29,149,715
Leases Receivable-net of current portion	<u>12,583,813</u>
Total noncurrent assets	<u><u>59,160,470</u></u>
Total assets	<u><u>\$ 61,477,848</u></u>
<i>Liabilities and Net Position</i>	
Current liabilities:	
Accounts payable and accrued expenses	\$ <u>6,640,359</u>
Total liabilities	<u><u>6,640,359</u></u>
Deferred inflows of resources:	
Lease deferred inflow-GASB 87	<u>12,729,854</u>
Total deferred inflows of resources	<u><u>12,729,854</u></u>
Net position:	
Net investment in capital assets	39,735,701
Restricted for Passenger Facility Charges	2,153,291
Unrestricted	<u>218,643</u>
Total net position	<u><u>42,107,635</u></u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 61,477,848</u></u>

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Government-Wide Financial Analysis (continued)

Statement of Activities

The statement of activities represents fiscal activity from operations, grants and contributions, and government reimbursements, combining both restricted and unrestricted accounts.

Governmental activities are determined by subtracting total operating expenses from program revenues, grants, contributions, and government reimbursements. In FY23, net governmental activities including the restricted accounts resulted in a positive change in net position of \$14,156,269. This figure, when added to the Authority's net position of \$27,951,366 at the beginning of the fiscal year, equaled a net position of \$42,107,635 at the end of the fiscal year.

Charges for services relating to Airport operations for FY23 were comprised primarily of parking, rental, fuel flowage, landing fees, and concession revenues for the period up until the signing of the Lease (July 1, 2022 through August 19, 2022). After the signing of the Lease, charges for services consist of lease revenue, revenue sharing with lessee, fuel flowage, and landing fees. Non-government reimbursements include \$1,600,000 of professional fee reimbursements paid by the Lessee as agreed to when the new agreements were signed. Professional fee reimbursements recognized into income in FY22 and FY23 were \$1,033,658 and \$566,342, respectively. FY23 reimbursements also included \$2,040,256 of airfield operating deficit payments from the Lessee.

Passenger Facility Charges more than doubled from \$999,348 in FY22 to \$2,035,406 in FY23, reflective of the increase in passenger enplanements at the Airport. FY23 was the first full year for Avelo at the Airport. The increase can also be attributed to additional destinations and flights by Avelo at the Airport.

Grants and contributions totaled \$14,799,943 in FY23, an increase of \$7,448,972. Included in the FY23 amount is the assumption of the terminal improvement loan by the Lessee in the amount of \$6,758,363 which is recognized as a gain, or income, by the Authority. Government reimbursements included approximately \$6,550,000 in FAA Airport Improvement Grants. The Authority received federal grants to acquire a new fire fighting vehicle, realign the taxiways and relocate the perimeter fence, and for residential sound proofing and insulation, among others. The Authority also recognized income from a COVID 19 relief grant in the amount of \$1,240,815.

Expenses from Airport operations declined from \$10,391,510 in FY22 to \$7,558,200 in FY23. With the signing of the Lease, the responsibility for maintaining the terminal and car parking areas as well as the costs related to future Airport development shifted from the Authority to the Lessee. FY22 also included \$2,155,361 in professional fees, the majority of which were incurred in the negotiation of the new agreements. Professional fees reduced 51% in FY23 to \$1,065,284.

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TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Government–Wide Financial Analysis (continued)

Statement of Activities

The statement of activities can be broken down into revenues by program/functions and expenses as follows:

Revenues by major functions:

	2023			
Functions/Programs:	Program Revenues	Grants and Contributions	Investment income	Total Revenue
Primary government-governmental activities:				
Government reimbursements	\$ -	7,879,080	-	7,879,080
Debt forgiveness	-	6,758,363	-	6,758,363
Non-government reimbursements	2,724,214			2,724,214
Passenger facility charges	2,035,406	-	-	2,035,406
Airport operations and capital projects	1,098,220	162,500	7,558	1,268,278
Airport parking lot	708,991	-	-	708,991
Interest portion of lease income	340,137	-	-	340,137
Total Revenue	\$ 6,906,968	14,799,943	7,558	21,714,469

	2022			
Functions/Programs:	Program Revenues	Grants and Contributions	Investment income	Total Revenue
Primary government-governmental activities:				
Government reimbursements	\$ -	6,300,971	-	6,300,971
Airport operations and capital projects	1,705,093	1,050,000	4,603	2,759,696
Airport parking lot	1,773,051	-	-	1,773,051
Non-government reimbursements	1,033,658	-	-	1,033,658
Passenger facility charges	999,348	-	-	999,348
Total Revenue	\$ 5,511,150	7,350,971	4,603	12,866,724

	2023	2022
Functions/Programs:	Expenses	Expenses
Primary government-governmental activities:		
Airport operations	\$ 7,558,200	\$ 10,391,510
Total Expenses	\$ 7,558,200	\$ 10,391,510

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Fund Financial Statement Analysis

Balance Sheet

The balance sheet presents information on the Authority's assets and liabilities. The Authority maintains five fund balance sheets. Three of the funds are unrestricted and are comprised of the General Fund, the Admin Fund, and the Airfield Fund. The table below summarizes the unrestricted fund balance sheets of the Authority by fiscal year:

	2023			
	<u>General</u>	<u>Admin</u>	<u>Airfield</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Unrestricted</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 251,339	26,923	50,235	328,497
Accounts receivable, net	-	62,923	566,198	629,121
Prepaid expenses	-	8,795	-	8,795
Total assets	<u>\$ 251,339</u>	<u>98,641</u>	<u>616,433</u>	<u>966,413</u>
<i>Liabilities and Fund Balances</i>				
Accounts payable and accrued expenses	\$ -	165,116	616,433	781,549
Interfund balances payable (receivable)	<u>(34,787)</u>	<u>1,008</u>	<u>-</u>	<u>(33,779)</u>
Total Current Liabilities	<u>(34,787)</u>	<u>166,124</u>	<u>616,433</u>	<u>747,770</u>
Fund balance	<u>286,126</u>	<u>(67,483)</u>	<u>-</u>	<u>218,643</u>
Total liabilities and fund balances	<u>\$ 251,339</u>	<u>98,641</u>	<u>616,433</u>	<u>966,413</u>
	2022			
	<u>General</u>	<u>Admin</u>	<u>Airfield</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Unrestricted</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 1,159,209	-	-	1,159,209
Accounts receivable, net	2,077,593	-	-	2,077,593
Grant and reimbursements receivable	<u>51,128</u>	<u>-</u>	<u>-</u>	<u>51,128</u>
Total assets	<u>\$ 3,287,930</u>	<u>-</u>	<u>-</u>	<u>3,287,930</u>
<i>Liabilities and Fund Balances</i>				
Accounts payable and accrued expenses	\$ 3,090,256	-	-	3,090,256
Interfund balances payable (receivable)	<u>(492,507)</u>	<u>-</u>	<u>-</u>	<u>(492,507)</u>
Deferred revenue	<u>2,069,856</u>	<u>-</u>	<u>-</u>	<u>2,069,856</u>
Total Current Liabilities	<u>4,667,605</u>	<u>-</u>	<u>-</u>	<u>4,667,605</u>
Fund balance	<u>(1,379,675)</u>	<u>-</u>	<u>-</u>	<u>(1,379,675)</u>
Total liabilities and fund balances	<u>\$ 3,287,930</u>	<u>-</u>	<u>-</u>	<u>3,287,930</u>

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Fund Financial Statement Analysis (continued)

Balance Sheet (continued)

The PFC Fund and the Capital Fund are considered restricted. Funds are considered restricted when external constraints are placed on their use. PFCs may only be spent with FAA approval on eligible projects. Capital Project Funds are used to account for FAA AIP and other grants restricted to Airport improvements. At the end of FY23, total restricted assets were \$8,045,880 with no long-term liabilities. Of the Authority's \$7,169,453 cash balance on June 30, 2023, \$6,840,956 was considered restricted. The table below summarizes the restricted fund balance sheets of the Authority by fiscal year:

	2023		
	Restricted Fund (PFCs)	Restricted Fund (Capital Projects)	Total Restricted
<i>Assets</i>			
Cash and cash equivalents	\$ 1,828,583	5,012,373	6,840,956
Accounts receivable, net	324,708	-	324,708
Grant and reimbursements receivable	-	801,951	801,951
Prepaid Expenses	-	78,265	78,265
Total assets	\$ 2,153,291	5,892,589	8,045,880
<i>Liabilities and Fund Balances</i>			
Accounts payable and accrued expenses	-	5,858,810	5,858,810
Interfund balances payable (receivable)	-	33,779	33,779
Total Current Liabilities	-	5,892,589	5,892,589
Fund balance	2,153,291	-	2,153,291
Total liabilities and fund balances	\$ 2,153,291	5,892,589	8,045,880
	2022		
	Restricted Fund (PFCs)	Restricted Fund (Capital Projects)	Total Restricted
<i>Assets</i>			
Cash and cash equivalents	\$ 551,335	3,970,348	4,521,683
Accounts receivable, net	191,844	-	191,844
Grant and reimbursements receivable	-	2,862,033	2,862,033
Total assets	\$ 743,179	6,832,381	7,575,560
<i>Liabilities and Fund Balances</i>			
Accounts payable and accrued expenses	-	6,202,165	6,202,165
Current portion of long-term debt	-	707,709	707,709
Interfund balances payable (receivable)	570,000	(77,493)	492,507
Total Current Liabilities	570,000	6,832,381	7,402,381
Fund balance	173,179	-	173,179
Total liabilities and fund balances	\$ 743,179	6,832,381	7,575,560

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management’s Discussion and Analysis

June 30, 2023

Fund Financial Statement Analysis (continued)

Statement of Revenue, Expenditures, and Changes in Fund Balance

The statement of revenues, expenditures, and changes in fund balance - governmental funds reports the Authority’s revenues and expenses for the fiscal year. The difference between revenues and expenses is combined with the prior fund balance to give the year-end fund balance. The fund balances of the General, Admin, and Airfield Funds—collectively the unrestricted funds—was \$218,643 at the end of FY23, compared to a fund deficit of (\$1,379,675) at the end of FY22. The fund balance of the Restricted Capital Projects Fund was \$0 at the end of FY23 and FY22.

The fund balance of the PFC Restricted Fund was \$2,153,291 at the end of FY23, compared to \$173,179 at the end of FY22. PFC funds are used for eligible airport capital projects authorized under FAA regulations. See table below:

	2023			
	<u>Unrestricted Funds</u>	<u>Restricted Fund (PFCs)</u>	<u>Restricted Fund (Capital Projects)</u>	<u>Total</u>
Total revenues & other financing sources \$	6,270,390	2,036,808	6,648,908	14,956,106
Total expenses	<u>4,673,067</u>	<u>-</u>	<u>6,704,609</u>	<u>11,377,676</u>
Net revenues (expenditures)	1,597,323	2,036,808	(55,701)	3,578,430
Fund net position - beginning of year	(1,379,675)	173,179	-	(1,206,496)
Interfund Transfers	<u>995</u>	<u>(56,696)</u>	<u>55,701</u>	<u>-</u>
Fund balance - end of year \$	<u><u>218,643</u></u>	<u><u>2,153,291</u></u>	<u><u>-</u></u>	<u><u>2,371,934</u></u>
	2022			
	<u>General Fund</u>	<u>Restricted Fund (PFCs)</u>	<u>Restricted Fund (Capital Projects)</u>	<u>Total</u>
Total revenues & other financing sources \$	6,630,364	999,757	11,994,966	19,625,087
Total expenses	<u>6,491,950</u>	<u>-</u>	<u>13,281,096</u>	<u>19,773,046</u>
Net revenues (expenditures)	138,414	999,757	(1,286,130)	(147,959)
Fund net position - beginning of year	(764,149)	143,778	(438,166)	(1,058,537)
Interfund Transfers	<u>(753,940)</u>	<u>(970,356)</u>	<u>1,724,296</u>	<u>-</u>
Fund balance - end of year \$	<u><u>(1,379,675)</u></u>	<u><u>173,179</u></u>	<u><u>-</u></u>	<u><u>(1,206,496)</u></u>

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Budgetary Highlights

The statement of revenues, expenses, and changes in fund balance-budgetary comparison schedule, which is a supplementary schedule, reports the operating and non-operating revenues and expenses and compares them against budgeted amounts. The Authority prepared budgets for the General, Admin, and Airfield Funds. The Lessee approves the Airfield budget should budgeted amounts exceed prior year amounts, as adjusted for inflation. Due to the signing of the Lease partially into FY23, the budgetary schedules are presented on an annualized basis. The budgetary comparison schedule can be found on page 41.

Factors Impacting Future Periods

The Airport recorded a record 465,538 enplanements in FY23, a remarkable improvement from FY22. Since the commencement of Avelo operations in November of 2022, the airline has experienced great success and expanded service to 17 non-stop destinations from the Airport. Passenger enplanements over the last five years were as follows:

FY23	465,538
FY22	157,797
FY21	7,052
FY20	38,767
FY19	42,273

Air service remains a critical factor impacting the Authority going forward. The aviation industry faces numerous challenges including the recovery from the pandemic, pilot and staffing shortages, fuel prices, and availability of aircraft, and many cities across the country have seen reductions in commercial passenger service or airlines leaving a market entirely. The Authority believes that the New Haven region was underserved prior to Avelo entering the market and given its success to date, and ongoing investment in facilities and personnel, believes Avelo has a bright future at the Airport.

The Authority was awarded an \$800,000 small community air service development grant from the DOT. This grant, combined with local commitments and contributions, makes \$1.25m available to support marketing, incentives, and revenue guarantees for new service or new entrant airlines. The Authority and the Lessee continue to have discussions with airlines about serving the Airport.

At 5,600', the Airport's runway is shorter than all but a handful of the U.S. airports with Part 139 Certification that allows certain types of passenger-carrying operations. The Master Plan recommended extending runway 2/20 to a length of 6,635. This would enable additional destinations to be safely accommodated by the most common aircraft currently used by domestic airlines and enable aircraft to serve the Airport year-round without weight or capacity restrictions. However, the subsequent EA concluded that an extension to 6,575' (639' to the Runway 02 end and 336' on the Runway 20 end) would minimize environmental impacts with minor operational impacts compared to an expansion to 6,635' and avoids filling tidal wetlands.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Factors Impacting Future Periods (continued)

The existing terminal on the west side of the Airport is not the best long-term solution for New Haven travelers. Site constraints limit passenger parking, there is insufficient apron space to accommodate new aircraft, and the layout and size of the existing terminal means it lacks many of the amenities expected by today's passengers. The existing location of the terminal also poses a safety concern by requiring midfield runway crossings and back taxiing on a regular basis.

Therefore, both the runway extension and a new terminal are critical for the long-term success of the Airport. Following the completion of design and permitting processes, the Authority and the Lessee will review and analyze the estimated costs of the projects, evaluate funding sources, and confirm financial viability. FAA support of the projects will be critical, and AIP discretionary grants and PFCs will be major components of overall funding, in addition to private funds from the Lessee. The Lease provides for the Authority to facilitate or enter into certain non-recourse debt instruments that may be advantageous to the Airport and the Lessee.

Federal funding will play a significant role in the future development of the Airport. Some anticipated funding programs are awarded following competitive processes with HVN—effectively competing for scarce resources against other airports in the region and across the country. Availability of such funds could impact the nature and timing of planned developments.

The new agreements with the Lessee and the City eliminate the reliance on operating subsidies, with the Lessee assuming all financial responsibility for Airport operating expenses. The Authority will receive \$550,000 in rents from the Lessee (growing with inflation each year) plus a nominal revenue share of between 0 and 8% of all Airport revenues. The Authority will utilize these funds to complete its oversight and administrative responsibilities. The State subsidy phased out after FY22, and the final City subsidy of \$162,500 was received in July of 2022 (FY23).

In addition to Airport operating expenses, the Lessee will also be responsible for funding the share of capital project costs not covered by FAA grants, PFCs, or other available sources. The Authority's revenues and expenses are significantly different in FY23 as compared to prior years, as terminal related revenues and expenses will no longer flow through the Authority's accounts.

In recent years, the City has pledged that a small portion of City bond funds be utilized towards projects at the Airport. The Authority has submitted requests to the City for reimbursement of capital projects from the City's bond funds allocated to the Airport. The Amended and Restated Lease and Operating Agreement with the City does not contemplate any future bond funds for the Authority beyond those previously discussed with the City and those covered by the pending request.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2023

Factors Impacting Future Periods (continued)

In addition to the runway and terminal projects, the Authority has included the following projects in its most recent 5-year capital plan:

- Reimbursable agreement for the glide slope relocation.
- Runway extension, **design and permitting**.
- Terminal area taxiway, **design and permitting**.
- Perimeter fencing relocation.
- EA phase II.
- Noise Exposure Map and Noise Compatibility Plan Update.

Analysis and Conclusions

After decades of financial under-performance and reliance on subsidies, the Authority made the bold decision to enter new agreements with the Manager and the Lessee that transfers significant financial and operational risks and enables major capital investments to be made in Airport facilities. The Authority retains its role as Airport sponsor and will be responsible for the oversight and enforcement of these agreements.

The Authority believes these new agreements provide the best approach for attaining financial self-sufficiency, relieving the financial burden from State and City government, and providing commercial air service and economic growth in Southern Connecticut.

Significant challenges remain to implement the planned developments and the Authority and the Lessee will continue to work with stakeholders to evaluate and advance these projects.

Contacting the Authority's Financial Management

This financial report is designed to provide interested parties with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Office at 155 Burr Street, Administration Building, New Haven, CT 06512.

TWEED-NEW HAVEN AIRPORT AUTHORITY

Statement of Net Position

June 30, 2023

<i>Assets</i>	Governmental <u>Activities</u>
Current assets:	
Cash and cash equivalents	\$ 328,497
Accounts receivable, net	953,829
Lease Receivable	146,041
Grants and government reimbursements receivable, net	801,951
Prepaid expenses	87,060
Total current assets	<u>2,317,378</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents-Passenger Facility Charges	1,828,583
Cash and cash equivalents-Capital Fund	5,012,373
Capital assets:	
Capital assets-Land	2,579,182
Capital assets-Capital projects in progress	8,006,804
Capital equipment and improvements, net	29,149,715
Lease receivable-net of current portion	12,583,813
Total noncurrent assets	<u>59,160,470</u>
Total assets	<u>\$ 61,477,848</u>
 <i>Liabilities and Net Position</i> 	
Current liabilities:	
Accounts payable and accrued expenses	\$ <u>6,640,359</u>
Total liabilities	<u>6,640,359</u>
Deferred inflows of resources:	
Lease deferred inflow-GASB 87	12,729,854
Total deferred inflows of resources	<u>12,729,854</u>
Net position:	
Net investment in capital assets	39,735,701
Restricted for Passenger Facility Charges	2,153,291
Unrestricted	218,643
Total net position	<u>42,107,635</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 61,477,848</u>

See accompanying notes to basic financial statements.

TWEED-NEW HAVEN AIRPORT AUTHORITY

Statement of Activities

Year ended June 30, 2023

Functions/Programs:	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Total Governmental Activities</u>
Governmental activities:					
Airport operations	\$ 7,348,610	1,098,220	162,500	-	(6,087,890)
Airport parking operations	209,590	708,991	-	-	499,401
Assumption of project loan by lessee	-	-	-	6,758,363	6,758,363
Government reimbursements	-	-	14,230	6,624,035	6,638,265
Expense reimbursements and other income	-	2,724,214	-	-	2,724,214
Passenger Facility Charges	-	2,035,406	-	-	2,035,406
Grant income	-	-	1,240,815	-	1,240,815
Total governmental activities	<u>\$ 7,558,200</u>	<u>6,566,831</u>	<u>1,417,545</u>	<u>13,382,398</u>	<u>13,808,574</u>
General revenues:					
Investment income					7,558
Interest income-GASB 87					<u>340,137</u>
Change in net position					14,156,269
Net position-beginning of year					<u>27,951,366</u>
Net position-end of year					<u>\$ 42,107,635</u>

See accompanying notes to basic financial statements.

TWEED-NEW HAVEN AIRPORT AUTHORITY

Balance Sheet—Governmental Fund Type and Account Groups

June 30, 2023

	<u>General Fund</u>	<u>Admin Fund</u>	<u>Airfield Fund</u>	<u>Restricted Fund (Passenger Facility Charges)</u>	<u>Restricted Fund (Capital Projects)</u>	<u>Total</u>
<i>Assets</i>						
Cash and cash equivalents	\$ 251,339	26,923	50,235	1,828,583	5,012,373	7,169,453
Accounts receivable, net	-	62,923	566,198	324,708	-	953,829
Grants and government reimbursements receivable, net	-	-	-	-	801,951	801,951
Prepaid expenses	<u>-</u>	<u>8,795</u>	<u>-</u>	<u>-</u>	<u>78,265</u>	<u>87,060</u>
Total assets	<u>\$ 251,339</u>	<u>98,641</u>	<u>616,433</u>	<u>2,153,291</u>	<u>5,892,589</u>	<u>9,012,293</u>
 <i>Liabilities and Fund Balances</i>						
Accounts payable and accrued expenses	\$ -	165,116	616,433	-	5,858,810	6,640,359
Current portion of long-term debt	-	-	-	-	-	-
Interfund balances payable (receivable)	(34,787)	1,008	-	-	33,779	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>(34,787)</u>	<u>166,124</u>	<u>616,433</u>	<u>-</u>	<u>5,892,589</u>	<u>6,640,359</u>
 Fund net position:						
Nonspendable	-	8,795	-	-	78,265	87,060
Restricted	-	-	-	2,153,291	-	2,153,291
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	<u>286,126</u>	<u>(76,278)</u>	<u>-</u>	<u>-</u>	<u>(78,265)</u>	<u>131,583</u>
Total fund balance (deficit)	<u>286,126</u>	<u>(67,483)</u>	<u>-</u>	<u>2,153,291</u>	<u>-</u>	<u>2,371,934</u>
Total liabilities and fund balances	<u>\$ 251,339</u>	<u>98,641</u>	<u>616,433</u>	<u>2,153,291</u>	<u>5,892,589</u>	<u>9,012,293</u>

Reconciliation of governmental fund net position:

Total fund balances	\$ 2,371,934
Reconciling items:	
Land	2,579,182
Construction in progress	8,006,804
Capital equipment and improvements	55,413,134
Less accumulated depreciation	<u>(26,263,419)</u>
Net position of governmental activities	<u>\$ 42,107,635</u>

See accompanying notes to basic financial statements.

TWEED-NEW HAVEN AIRPORT AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds

Year ended June 30, 2023

	<u>General Fund</u>	<u>Admin Fund</u>	<u>Airfield Fund</u>	<u>Restricted Fund (Passenger Facility Charges)</u>	<u>Restricted Fund (Capital Projects)</u>	<u>Total</u>
Revenues:						
Government reimbursements	\$ 14,230	-	-	-	6,624,035	6,638,265
Concessions, fees and rentals	1,202,682	197,172	387,881	2,035,406	19,476	3,842,617
Expense reimbursements and other income	632,753	51,205	2,040,256	-	-	2,724,214
Grant income	1,240,815	-	-	-	-	1,240,815
Interest income-GASB 87	-	340,137	-	-	-	340,137
City of New Haven subsidy	162,500	-	-	-	-	162,500
Interest and investment income	759	-	-	1,402	5,397	7,558
Total revenues	<u>3,253,739</u>	<u>588,514</u>	<u>2,428,137</u>	<u>2,036,808</u>	<u>6,648,908</u>	<u>14,956,106</u>
Authority expenses:						
Professional fees	571,657	493,627	-	-	-	1,065,284
Authority management	20,717	148,193	-	-	-	168,910
Management and performance fees	42,358	-	116,667	-	-	159,025
Avports ASD Fund	11,346	-	-	-	-	11,346
Airport operations:						
Salaries and benefits	445,154	-	1,461,605	-	-	1,906,759
Maintenance	101,060	1,280	455,089	-	-	557,429
Administration, office and marketing expenses	45,872	9,257	197,788	-	-	252,917
Parking contractor expense	209,590	-	-	-	-	209,590
Utilities	74,836	-	125,220	-	-	200,056
Residential sound insulation	-	-	-	-	175,577	175,577
Security	51,942	-	23,942	-	69,550	145,434
Insurance	14,401	3,640	47,826	-	-	65,867
Capital outlays:						
Infrastructure capital costs	-	-	-	-	6,459,482	6,459,482
Total expenditures	<u>1,588,933</u>	<u>655,997</u>	<u>2,428,137</u>	<u>-</u>	<u>6,704,609</u>	<u>11,377,676</u>
Other financing sources and uses, including transfers:						
Interfund transfers	995	-	-	(56,696)	55,701	-
Total other financing sources	<u>995</u>	<u>-</u>	<u>-</u>	<u>(56,696)</u>	<u>55,701</u>	<u>-</u>
Net changes in fund balances	1,665,801	(67,483)	-	1,980,112	-	3,578,430
Fund balances - beginning of year	<u>(1,379,675)</u>	<u>-</u>	<u>-</u>	<u>173,179</u>	<u>-</u>	<u>(1,206,496)</u>
Fund balances - end of year	<u>\$ 286,126</u>	<u>(67,483)</u>	<u>-</u>	<u>2,153,291</u>	<u>-</u>	<u>2,371,934</u>
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance:						
Total net change in fund balances-governmental funds						\$ 3,578,430
Reconciling items:						
Expenditures for capital projects-capitalized and expensed as depreciation over the estimated useful lives in the statement of activities, net of long-term debt						6,459,482
Assumption of project loan by lessee						6,758,363
Depreciation expense						<u>(2,640,006)</u>
Change in net position of governmental activities						<u>\$ 14,156,269</u>

See accompanying notes to basic financial statements.

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(1) Summary of Significant Accounting Policies

Background and Reporting Entity

The 1997 Connecticut General Assembly enacted an “*Act Concerning the Establishment of the Tweed-New Haven Airport Authority*” (the “Authority”) [Public Act 97-271] at the request of the City of New Haven (the “City”), the Greater New Haven Chamber of Commerce, the Regional Leadership Council, REX Development (f/k/a Regional Growth Partnership), Yale University, and area businesses, as a way to improve air service for the Southern Connecticut area.

The legislation created a regional Authority to manage and improve Tweed-New Haven Airport (“Airport”) as an economic development asset for the region. The Authority’s powers include:

- Maintain, manage, supervise, and operate the Airport.
- Maintain a working relationship with the state and municipalities and conduct business as a regional airport.
- Charge reasonable fees for service.
- Enter into contracts, leases, and agreements for goods and services.
- Contract for construction and reconstruction of Airport projects.
- Make plans and studies in conjunction with the Federal Aviation Administration (“FAA”) and other state and federal agencies.
- Plan and enter into contracts with municipalities, the state, businesses, and other entities to finance operations and debt.
- Establish a Board of Directors to carry out functions.
- Employ staff, borrow funds, and issue and sell bonds.
- Acquire property by purchase or lease.
- Prepare and issue budgets.
- Exercise all other powers granted by law.

The Authority held its first Board of Directors (“Board”) meeting on July 31, 1997, at which time it adopted, in accordance with Public Act 97-271, its Bylaws, elected officers, approved an Affirmative Action Statement, and adopted a draft of its Written Procedures. The Board has the primary accountability for fiscal matters. Therefore, the Authority is a financial reporting entity as defined by Government Accounting Standards Board (“GASB”) in its Statement No. 14, “*The Financial Reporting Entity*.” There are no component units included within the reporting entity.

An Executive Director is appointed by the Board and is responsible for the day-to-day activities of the Authority.

The Tweed Statute was amended in 2009 to increase the number of directors to 15, modify the number of directors appointed by each appointing party, and establish a Community Advisory Board comprised of designated Authority directors.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (continued)

Background and Reporting Entity (continued)

On August 19, 2022, the Authority executed three agreements that collectively resulted in significant changes to the Authority's operating structure. Firstly, the City and the Authority entered into an Amended and Restated Lease and Operating Agreement. The Authority then executed the sixth amendment to the management agreement with Avports HVN, LLC (the "Manager") and a Lease and Development Agreement with The New HVN, LLC (the "Lessee"). Each agreement has a term of 43 years.

The amended agreement with the City extended the term date to June 30, 2064. The annual rent remains \$1. The amended operating agreement eliminates City operating subsidies beyond FY23. The other basic terms of the amended agreement are:

- Permits the Authority to enter into sublease and operating agreements.
- Permits the Authority to work with the Lessee, as sublessee for the design, construction, financing, operation, and maintenance of a new east terminal and associated ancillary and safety facilities including but not limited to parking, roads, and concessions, and extension of runway 2-20 as described in the Airport Master Plan, a new taxiway adjacent to the east terminal, and access roads to the east terminal.
- Restricts the Lessee from using landing fees or other financial incentives to attract general aviation to the Airport.
- Establishes and includes performance standards to address noise, traffic, wetlands restoration, tidal and water monitoring systems, diversity and hiring programs, sustainability, and general aviation operations.

Under the terms of the amended management agreement, the Manager will manage the airfield as the Authority's agent. The Manager will also oversee the construction of the runway expansion. The Authority will continue to collect landing and fuel flowage fees and will be responsible for paying operating expenses to the Manager. If airfield expenses exceed revenues, the deficit is to be paid by the Lessee.

The Lessee will assume financial and operational responsibility to design, build, finance, operate, and maintain commercial passenger terminals, which includes the current west side and future east side terminal. The Lessee will assume responsibility for capital planning, funding, and future Airport development within areas permitted by the Lease and Development Agreement. The Lessee is responsible for setting and collecting Airport rents, rates, and fees and approving the operating budget. All costs associated with operating and maintaining the terminals and Airport facilities become the responsibility of the Lessee. Any deficits within the airfield are to be subsidized by the Lessee under the Lease and Development Agreement.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (continued)

Background and Reporting Entity (continued)

The Lessee will pay the Authority an annual base rent of \$550,000 (on a pro-rata basis for FY23) adjusted annually for changes in the Consumer Price Index, a tiered percentage of gross revenues up to 8%, and up to an additional \$200,000 annually for consulting and professional fees associated with the new terminal and runway projects.

The Authority will continue to be responsible for its own administrative and professional fees for oversight of the Airport. The Authority will continue to be the Airport sponsor for purposes of collecting Passenger Facility Charge (“PFC”) revenues and FAA Airport Improvement Project (“AIP”) grants. The Lessee will assume the local match requirements, if any, for AIP funded projects and all other projects required under the Lease and Development Agreement.

The Manager will continue to act as the Authority’s agent for all regulatory compliance including grant applications and PFC reporting. Airport PFCs shall be available to the Lessee to pay capital costs (including debt service on any financing) of the development.

The Authority will create an Airport Reserve Fund (“ARF”) and will fund this from any revenue that the Authority receives in excess of its administrative expenses each year. The ARF can be used at the Authority’s discretion for any lawful purpose. It can also be used to repay the Lessee’s reimbursement of the Authority’s transaction costs, as described below, under an annual formula once the fund reaches a defined level. Once the ARF reaches twice the base rent, initially \$1,100,000, any amount above this is considered the ARF surplus. Fifty percent of the ARF surplus is paid towards the outstanding reimbursement balance each year.

Reimbursement of professional fees associated with the development and negotiation of the new agreements is part of the new Lease and Development Agreement with the Authority. The negotiated amount of professional fee reimbursement was \$1,600,000, with \$1,033,658 recognized in FY22, and \$566,342 recognized in FY23.

The Airport Executive Director successfully ran for the office of State of Connecticut Comptroller in the November 2022 state-wide elections. The Board advertised the position and retained a search firm to identify qualified candidates for the selection of a new Executive Director. A new Executive Director was approved by the Board at its December 2022 meeting.

Government-wide and Fund Financial Statements

The statement of net position and the statement of activities are government-wide financial statements. They report information on all the Authority’s non-fiduciary activities. Governmental activities include programs supported primarily by grants and other intergovernmental revenues. Business-type activities include operations that rely, to a significant extent, on fees and charges for support.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

The statement of activities lists people or entities that have shared in the payment of direct costs for programs operated by the Authority. The “Grants and Contributions” columns include amounts paid by organizations outside the Authority to help meet operational requirements.

All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds would remain on the government-wide statement of activities.

The fund financial statements provide reports on the financial condition and the results of operations for five fund categories – three governmental and two special revenue funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable. The expenditures related to certain compensated absences, claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent expenditures are made under the provisions of the grant. Accordingly, when such funds are received in advance of disbursements, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Authority to refund all or part of the unused amount.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (continued)

Fund Equity and Net Position

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (net position), revenues, expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The fund financial statements in this report consist of the General Fund, the Administration (“Admin”) Fund, the Airfield Fund, and two Special Revenue Fund account groups due to the nature of the Authority’s activities. The Authority will create the ARF Fund as required under the Lease and Development Agreement once the Admin Fund shows a surplus for a fiscal year.

In the government-wide financial statements, net position is classified in the following categories:

- Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of related loans that are attributable to the acquisition and improvement of those assets.
- Restricted for PFC – This category is used to account for collection of PFCs and payment or reimbursement of related capital improvements by the Airport. PFCs are fees authorized by the Congress of the United States of America to be collected for use in federally approved airport improvements and expenditures. The PFC fund is restricted and may be spent only in connection with FAA application and approval procedures.
- Unrestricted Net Position – This category represents the net position of the Authority, which is not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for certain expenses, the Authority expends restricted resources first and uses unrestricted resources when the restricted funds are depleted.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (continued)

Fund Equity and Net Position (continued)

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 54 (“GASB 54”) “*Fund Balance Reporting and Governmental Fund Type*” which defines the different types of fund balances that the Authority must use for its governmental funds. GASB 54 requires the fund balance to be properly reported within one of the following categories for fund financial reporting purposes:

- Nonspendable – fund balance amounts associated with inventories, prepaids, and long-term receivables and payables.
- Restricted – fund balance amounts that can be spent only for the specific purposes stipulated by external source providers or enabling legislation.
- Committed – fund balance amounts that can be used only for specific purposes determined by a formal action of the highest level of decision-making authority, the Board of Directors.
- Assigned – fund balance amounts intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as restricted or committed fund net position.
- Unassigned – fund balance amounts remaining for the General, Admin, and Airfield Funds that are spendable.

The Authority’s committed fund balance reporting is required when funds have been committed at an Authority board meeting. The Authority’s assigned fund balance reporting is required when funds have been assigned by their nature (due to the FAA or for unidentified future capital projects). The Authority’s general policy is to apply expenditures against the applicable fund balance in the following order: nonspendable, assigned, committed, restricted, and unassigned.

Budgetary Information and Accounting

Historically, the Board of Directors has proposed and approved an Airport-wide budget for the upcoming fiscal year. The operating budget included proposed expenditures and the means of financing them. For FY23, the Board approved a modified budget that reflected the changes in operating structure for the Airport and illustrates that certain revenues and expenses would no longer flow through the Authority’s accounts.

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (continued)

Budgetary Information and Accounting (continued)

While the Authority will continue to approve the annual budget as part of its compliance and reporting obligations, the Lease and Development Agreement provides The New HVN, LLC with certain approval rights for the Airfield Operating Budget. The Authority will combine the Airfield Operating Budget with the estimate of Admin Fund revenues and expenses into the overall Authority budget. Revenues that now accrue to the Lessee, and terminal expenses paid by the Lessee, are no longer included in the Authority's budget. The budget is prepared on the modified accrual basis of accounting.

Cash and Cash Equivalents

The Authority considers cash and cash equivalents, primarily money market funds, to be those investments with original maturities of three months or less.

Receivables and Payables

All receivables and payables are reported at their gross value. Receivables are reduced by the estimated portion that is expected to be uncollectible. The Authority may establish an allowance for estimated uncollectible accounts when appropriate. There was no allowance for uncollectible accounts as of June 30, 2023.

Capital Assets

Capital assets include improvements to the Airport and other assets used in operations with estimated useful life ranging from five to thirty years. Such assets are recorded at cost and depreciated using the straight-line method.

Lease Receivable

The Authority, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources should be measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The Authority's reporting of deferred inflows of resources relates to lease receivables that will be recognized as revenue in a systematic and rational manner over the term of the lease.

Income Taxes

The Authority is exempt from federal and state income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Authority and recognize a tax liability (or asset) if it has taken an uncertain position that more-likely-than-not would not be sustained upon examination by the applicable taxing authorities. Management has concluded that as of June 30, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Restricted Assets

Funds collected from PFCs are restricted for use and subject to approval by the FAA. Additionally, the cash and other assets in the Capital Project Fund are restricted to Airport capital improvements and major maintenance and repairs. The Authority has used the Capital Project Funds to purchase land and buildings adjacent to Airport property for future use in Airport development and to improve infrastructure at the Airport.

Total Columns on Statements

Total columns on the fund financial statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, operating results, or cash flows in conformity with generally accepted accounting principles.

Date through Which Subsequent Events Have Been Evaluated

Management has evaluated subsequent events through February 21, 2023, the date the financial statements were available to be issued. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustment to, or disclosure in, the accompanying financial statements.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(2) Reconciliation of Government-wide and Fund Financial Statements (continued)

The Balance Sheet - Governmental Fund Type and Account Groups provides the reconciliation between the fund net position for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position.

The following is a reconciliation between the Governmental Funds balance sheet and the statement of net position at June 30, 2023:

Fund balances		\$ 2,371,934
Add: Land	2,579,182	
Construction in progress	8,006,804	
Capital equipment and improvements	55,413,134	
Less: Accumulated depreciation	(26,263,419)	39,735,701
Net position of governmental activities		<u>\$42,107,635</u>

The statement of revenues, expenditures, and changes in fund balance - Governmental Funds provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and the changes in net position of governmental activities as reported on the government-wide statement of activities.

The following is a reconciliation between the statement of governmental funds, revenues, expenditures, changes in fund balances, and the statement of activities for the year ended June 30, 2023:

Net change in fund balances -governmental funds	\$3,578,430
Assumption of project lease loan by Lessee	6,758,363

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. The amount by which depreciation and amortization exceeded capital outlays in the current period is as follows:

Expenditures for capital projects	6,459,482
Depreciation expense	(2,640,006)
Change in net position	<u>\$14,156,269</u>

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(3) Cash and Cash Equivalents

Cash and cash equivalents, for the General, Admin and Airfield Funds and the Restricted Funds, consisted of the following in the statement of net position at June 30, 2023:

Deposits	\$5,340,870
Money market funds	<u>1,828,583</u>
	<u>\$7,169,453</u>

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned, or the Authority will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have a deposit policy for custodial credit risk.

The Authority maintains cash accounts in financial institutions which insure deposits with the Federal Deposit Insurance Corporation (“FDIC”). As of June 30, 2023, the aggregate cash balances on deposit at the financial institutions used by the Authority exceeded FDIC deposit insurance limits by approximately \$7,192,000.

In the event that a financial institution becomes insolvent and is placed under FDIC receivership, this collateral is subject to the FDIC requirements for perfecting security interest under federal law. In the opinion of the Connecticut State Attorney General, these requirements have not been met.

(4) Restricted Assets

Restricted assets consist of cash relating to PFCs which are restricted for expenditures for federally approved Airport improvement projects, government reimbursements, and other assets restricted for use on future capital projects. Until restricted funds are required for disbursements, the Authority transfers available funds to interest bearing accounts.

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(5) Capital Assets

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2023:

	Not Depreciated		Depreciated		Totals
	Land	Construction in Progress	Improvements	Vehicles and Equipment	
Capital Assets					
Beginning Balance	\$ 2,579,182	2,894,065	51,903,661	2,162,728	59,539,636
Increases	-	5,758,618	5,822	695,042	6,459,482
Decreases	-	-	-	-	-
Transfers	-	(645,879)	645,879	-	-
Ending Balance	<u>2,579,182</u>	<u>8,006,804</u>	<u>52,555,362</u>	<u>2,857,770</u>	<u>65,999,118</u>
Accumulated Depreciation					
Beginning Balance	-	-	22,960,872	662,539	23,623,411
Increases	-	-	2,394,683	245,323	2,640,006
Decreases	-	-	-	-	-
Ending Balance	<u>-</u>	<u>-</u>	<u>25,355,555</u>	<u>907,862</u>	<u>26,263,417</u>
Capital Assets, net	<u>\$ 2,579,182</u>	<u>8,006,804</u>	<u>27,199,807</u>	<u>1,949,908</u>	<u>39,735,701</u>

(6) Lease Accounting (GASB 87)

Government Accounting Standards Board Statement No. 87 (“GASB 87”) establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessor is required to recognize, for each lease, a lease receivable and a deferred inflow of resources. The lease receivable is measured at the present value of lease payments expected to be received during the term of the lease. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relates to future periods. Interest revenue is recognized on the lease receivable and the inflow of resources (revenue) is recognized from the deferred inflows of resources in a systematic and rational manner over the term of the lease. Certain regulated leases that are subject to external laws, regulations, or legal rulings (e.g. the FAA) do not recognize a lease receivable. Regulated leases include leases between airports and air carriers and other aeronautical users.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(6) Lease Accounting (GASB 87) (continued)

The Authority, as lessor in its agreement with The New HVN, LLC, subleases terminal and parking space (non-aeronautical) and hangar (aeronautical) space to the lessee. Under GASB 87, when a lease contains multiple components, the lease may be accounted for as a single lease when the various components of the lease cannot be practically allocated among its components. If multiple components are accounted for as a single lease unit, the accounting for that unit should be based on the primary lease component. The Authority has concluded that the primary components of the lease with The New HVN, LLC are primarily non-aeronautical and therefore the Authority recognizes a receivable and a deferred inflow of resources in accordance with GASB 87.

The Authority's lease with The New HVN, LLC commenced August 19, 2022, and expires August 19, 2065, with no extension options. The lease requires payment of an annual base rent in the amount of \$550,000 paid in monthly installments. The lease includes variable revenue components, including: increases for future increases in the Consumer Price Index, a percentage of lessee gross revenues, and certain professional fee reimbursements associated with new terminal and runway projects. Variable revenues are not included in the measurement of the lease receivable. The Authority recognized approximately \$111,000 in variable lease revenue for FY23.

During the year ended June 30, 2023, the Authority recognized the following inflows related to the lease:

Lease revenue	\$137,417
Interest revenue	340,137
Revenue from variable payments not included in measurement of lease receivable	<u>110,960</u>
	<u>\$588,514</u>

Amounts recognized as lease receivables and deferred inflows of resources-leases was \$12,729,854 at ended June 30, 2023. The GASB 87 lease receivable rate was 3.19% at the inception of the lease. The Authority used the Bloomberg 30-year Municipal Benchmark to estimate the discount rate.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(6) Lease Accounting (GASB 87) (continued)

The table below summarizes total remaining lease payments, GASB 87 lease receivables/deferred lease inflows, and lease interest receivable as of June 30, 2023:

<u>Fiscal Year</u>	<u>Lease Receivable</u>	<u>Lease Interest</u>	<u>Total Lease Payments</u>
2024	\$ 146,041	403,959	550,000
2025	150,768	399,232	550,000
2026	155,648	394,352	550,000
2027	160,687	389,313	550,000
2028	165,888	384,112	550,000
2029-2033	913,552	1,836,448	2,750,000
2034-2038	1,071,302	1,678,698	2,750,000
2039-2043	1,256,289	1,493,711	2,750,000
2044-2048	1,473,220	1,276,780	2,750,000
2049-2053	1,727,611	1,022,389	2,750,000
2054-2058	2,025,927	724,073	2,750,000
2059-2063	2,375,756	374,244	2,750,000
2064-2066	1,107,165	65,280	1,172,445
	<u>\$ 12,729,854</u>	<u>10,442,591</u>	<u>23,172,445</u>

(7) State and Municipal Funding

The Authority did not receive any State of Connecticut (“State”) operating subsidies in FY23. The 2020 Connecticut General Assembly had previously authorized \$1,500,000 in operating funds for the Authority for the year ended June 30, 2021, and a reduced amount of \$750,000 for the year ended June 30, 2022. In addition, the Authority has received State grant funds of up to \$40,000 annually in recent years for capital improvements as part of a 10% local share required for certain FAA grants. The Authority recognized \$40,000 in State funds in FY22 but no State funding was received for capital projects in FY23.

The Authority received operating funds during the fiscal year ended June 30, 2022 from the City in the amount of \$300,000, the same amount as received in FY21. The City’s approved FY23 operating budget included a reduced amount of \$162,500 which was received in July 2022. The Authority has not budgeted further revenues from the City for future years.

The City of New Haven has historically provided funding for general Airport improvements and purchases to support a safe operating environment for both commercial air service and general aviation activities through a pledge of bond funds in the City’s adopted budget. This has included funding for capital improvements as part of the local share required for certain FAA grants.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(7) State and Municipal Funding (continued)

The Authority did not receive any local share of improvement funds from the City in FY23, but has requested reimbursements from the City from bond funds previously pledged to the Authority. This includes costs related to the recently completed Residential Sound Insulation Program – Phase #6, upgrades to the West Terminal, maintenance on the Authority’s ARFF vehicles, and obstruction removals at nearby properties.

The City, at times, advances funds to the Authority to fund equipment and payments to contractors and suppliers for capital projects in advance of reimbursement from the FAA and the State. The Authority reimburses the City after filing the required funding requests and project close-out documentation with the FAA, and funds have been received. Project costs not funded by the FAA or the State are considered the local match. During the year ended June 30, 2023, the City advanced approximately \$1,089,000 towards FAA reimbursable projects. Accumulated grant funds received or receivable by the Authority and payable to the City were approximately \$5,556,000 for FY23.

(8) Federal Funding

The Authority applied and was accepted for an Airport Rescue Grant under the American Rescue Plan Act (“ARPA”) in the amount of \$1,240,815. The Authority received the grant on June 22, 2022 and reserved these funds for FY23 obligations. The Authority recognized the grant income in FY23.

The Authority also receives funding for expenditures reimbursable under the FAA AIP, the Airport and Law Enforcement Officer (“LEO”) grants administered by the TSA, and other reimbursement agreements.

The following schedule summarizes the Authority’s grant revenue for the fiscal year ended June 30, 2023:

Source	Type		Total
	Operating	Capital	
Airport Rescue Grant	\$ 1,240,815	-	1,240,815
AIP Grants	-	6,554,485	6,554,485
LEO Grants	83,780	-	83,780
Total Federal Grants	1,324,595	6,554,485	7,879,080
City and State Grants			
Operating Subsidies	162,500	-	162,500
Total City and State Grants	162,500	-	162,500
Total Grant Revenue	\$ 1,487,095	6,554,485	8,041,580

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(9) Grants Receivable

Grants receivable includes Authority expenditures reimbursable under FAA AIP at the Airport, LEO grants administered by the TSA, and other reimbursement agreements. Grants receivable consisted of the following in the statement of net position at June 30, 2023:

AIP Grants – FAA	\$721,480
LEO Grants – TSA	31,110
State of Connecticut Capital Improvement	40,000
Reimbursable Agreement – FAA	<u>9,361</u>
	<u>\$801,951</u>

(10) Leased Premises, Transfer of Personal Property and Airport Assets

In accordance with Section 3.1 of the 1998 Lease and Operating Agreement, the Authority leases the land, buildings, and related improvements from the City. Compensation due to the City during the lease term is \$1.

In accordance with Section 4.1 of the Lease and Operating Agreement, the City transferred and conveyed to the Authority all of its rights, title, and interest in and to all tangible personal property (generally all the furnishings, materials, equipment and other tangible property located at the Airport). The Authority uses this personal property, including any assets acquired during the lease term, in connection with its operation of the Airport.

Upon the expiration of the Lease and Operating Agreement, Section 4.2 states that the Authority’s right, title, and interest in any and all Airport assets then in existence shall immediately vest in the City.

Since the Authority does not have the power of condemnation, Section 9.2 of the Lease and Operating Agreement provides that the City may exercise its right and power to take certain additional property (in the event the Authority deems it necessary or advisable) by eminent domain, and the Authority shall pay any and all acquisition costs. The City has not exercised this right as of June 30, 2023.

On August 19, 2022, the City and the Authority entered into an Amended and Restated Lease and Operating Agreement extending the term through June 30, 2064. See Note 1.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(11) Management Agreement

The Authority entered into a management agreement with Avports on July 1, 1998 to operate the Airport. Avports is primarily responsible for general operations, hiring and training staff, safety and security compliance, maintenance and repair services, construction management, air service development, aviation support, accounting, and project planning functions. The management agreement was due to expire June 30, 2024 with the option of one additional three-year extension to June 30, 2027.

The agreement with Avports specifically provided for the following:

- Avports bills the Authority monthly for all labor and operating costs. Avports receives an annual fixed fee (approximately \$42,000 for FY23) that increases by 3% each year. Effective July 1, 2004, the management agreement established an additional \$100,000 fee, subject to a 3% increase each year, allocated to air service development (“ASD”), including airline industry experts and attendance at airline conferences, under a plan approved by the Authority. In FY19, expenditures from the ASD Fund were reduced by mutual agreement as a budgetary control measure. Expenditures from the ASD Fund totaled approximately \$11,000 in FY23.
- Avports provides certain engineering services as part of the management agreement up to \$35,000 per year. Amounts in excess of \$35,000 are billed at standard hourly rates. No engineering costs were in excess of amounts allowed for in the management agreement in FY23.
- Avports is also entitled to various incentive fees under certain circumstances, such as additional air carriers and increased enplaned passengers. No incentives were paid in FY23.
- The Management Agreement allowed the Authority to secure additional services from Avports based on proposals submitted for such services as the need may arise.
- Avports had a right of first refusal on future Airport development, approved by the Authority in January 2007. This expired in 2018.

In conjunction with the 43-year Lease and Development Agreement, the existing management agreement was amended and restated with a term of 43 years with Avports operating under the new name of Avports HVN, LLC. Avports HVN, LLC would also commence an extension of Runway 2-20. See Note 1.

Under the amended management agreement, AvPorts HVN, LLC is primarily responsible for managing the airfield as the Authority’s agent. Certain roles and responsibilities previously performed by the manager relating to the terminal and air service development are now performed by the Lessee. A reasonable management fee in line with industry standards is to be included in the Airfield Operating Budget and payable to the Manager. This fee replaces the previous arrangement that also provided for engineering, air service, and incentive fees, and included management of the terminal. The FY23 management fee for the airfield was approximately \$116,667 following the latest amendment.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(11) Management Agreement (continued)

Amounts due to Avports under the amended management agreement for Airfield expenses totaled approximately \$616,433 at June 30, 2023. Amounts due from the Lessee to cover the related Airfield operating deficit was approximately \$533,063 at June 30, 2023.

(12) Project Loans

On October 1, 2021, the Authority and Avports executed the first amendment to the fifth amendment of the management agreement to pursue required terminal upgrades to accommodate a new air carrier at the Airport. Under the terms of this amendment, Avports and the Authority agreed that Avports would undertake an environmental assessment of the runway extension and east terminal projects as well as oversee, manage, and administer the design and construction of west terminal upgrades.

Under this amended agreement, Avports agreed to a project loan for the environmental assessment and terminal upgrades up to \$11,000,000 provided the Authority will have paid \$1,200,000 to Avports (see Note 13).

Amounts borrowed and outstanding on the terminal upgrades portion of the project loan for the year ended June 30, 2022 were \$6,758,363. No additional amounts were incurred on the loan during FY23. Under the terms of the first amendment to the fifth amendment of the management agreement, upon the execution of certain other events, Avports (or other related entity) would assume the Authority's obligation to repay the balance outstanding on the second project loan. The agreements entered on August 19, 2022 resulted in The New HVN, LCC assuming the balance of this loan, and the Authority recognized the assumption into income during FY23.

Amounts incurred under the second project loan related to the environmental assessment are eligible for reimbursement from the FAA as an AIP grant. Therefore, this portion of the second project loan is payable to Avports upon receipt of FAA reimbursable funds. Total amounts incurred for the environmental assessment were \$707,709 as of June 30, 2022 and were reimbursed to Avports during FY23 from funds received from the FAA and PFCs.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(13) Three-Party Agreement

In June 2021, the Authority entered into a Three-Party Agreement with Avports and TEM Enterprises, doing business as Avelo Airlines (“Avelo”). Avelo contributed \$1,200,000 in pre-paid Airport fees that the Authority would commit towards terminal upgrades required for and in anticipation of Avelo commencing future operations at the Airport. Under the terms of the agreement:

- Avelo deposited \$1,200,000 of pre-paid Airport fees into a segregated reserve account held by Avports.
- Amounts were withdrawn on a pari passu basis by Avports with project loan advances to pay for design and construction costs for the west terminal upgrades.
- These upgrades were completed by December 31, 2021.
- Certain user fees would be waived to Avelo for a period of twelve months commencing upon the substantial completion of the terminal upgrades.

The entire \$1,200,000 was expended during the year ended June 30, 2022 on the terminal upgrades. The pre-paid Airport fees were amortized and recognized as revenue beginning January 1, 2022 through August 19, 2022.

(14) Passenger Facility Charges

The Airport’s initial application to impose PFCs was approved by the FAA in 1993 and a total of eight applications had been approved through June 30, 2023. The Authority submitted PFC application number 8 on October 7, 2022 and received FAA approval on November 2, 2022 for projects totaling approximately \$5,221,900. The Authority now has approval to collect \$10,179,087 of PFCs and related interest. Through June 30, 2023, the Authority has cumulatively collected \$6,835,705 in PFC revenues and interest, of which \$1,903,944 was collected during the fiscal year ended June 30, 2023.

(15) Risk Management

The Authority is exposed to various risks of loss including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases directors’ and officers’ liability insurance, and Avports HVN, LLC and The New HVN, LLC purchase all other insurance coverage for the Airport.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(16) Contracts and Commitments

The Authority has entered into various short-term and long-term agreements with certain airlines, car rental companies, taxi-cab companies, the Fixed Base Operator, and other parties related to general aviation services. The following represents some of the more significant long-term contracts in effect during FY23:

- The Authority granted Northeast Ramp, LLC (“Northeast”) the right of ingress to and egress from the Airport for the period May 1, 2000 to May 1, 2030. An access fee is determined by a formula utilizing a specified Consumer Price Index. The access fee in FY23 was approximately \$1,700.
- The Authority had entered into a long-term lease, as amended, with the Fixed Base Operator (Robinson Aviation, Inc.) for certain Airport land on which Robinson Aviation built aircraft hangars and offices. Rental to the Authority for FY23 was approximately \$15,200. Robinson Aviation, Inc. also provides aircraft fueling, aviation services including charter flights, and maintains the leased ramp area.
- The Authority entered into three one-year leases with rental car companies for use of counter and storage space and parking spaces at the Airport. The agreements included provisions for the Airport to collect 10% of rental car revenues and a customer facility charge on rental car transactions at the Airport. All car rental agreements expired October 31, 2022. Rental fees for these leases were approximately \$113,000 in FY23.
- The Authority entered into a concession agreement with G Café beginning November 1, 2021 through October 31, 2022. The agreement called for fixed monthly fees of \$1,551 plus a percentage of the Café’s revenues. Rental income under this concession agreement was approximately \$35,000 for FY23.

Per the Lease and Development Agreement with The New HVN, LLC. certain Authority leases, including the above, are assigned to The New HVN, LLC. Therefore, there are no longer any noncancellable license agreements where the Authority is owner or agent.

(17) Related Party Transactions

The City provides law enforcement services to the Authority. Law enforcement costs provided by the City to the Authority were approximately \$52,000 during FY22. Per the Lease and Development Agreement with The New HVN, LLC, law enforcement costs incurred at the Airport as prescribed in the Airport’s security plan are now the responsibility of the Lessee effective August 19, 2022.

(18) Contingent Liabilities

The Authority has received State and municipal grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agencies for any expenditures disallowed under terms of the grant. Authority management believes disallowances on State or municipal projects, if any, will not be material.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(18) Contingent Liabilities (continued)

The Authority may have contingent liabilities with respect to pending litigation, claims, and disputes which existed at June 30, 2023. The total liability with respect to such matters, if any, is not presently determinable; however, it is the opinion of Authority management that any liabilities (there are presently none known) resulting there from will not have a material adverse effect on the Authority's financial position.

The Lease and Development Agreement states that the terminal portion of the Project Loan (see Note 12) will be assumed by The New HVN, LLC at closing. The Authority recognized the assumption of the Loan by the Lessee during FY23, with revenues of \$6,758,363 recorded in the Capital Fund. Under certain circumstances, such as the Lessee being unable to reach financial close, significant delays, or unfavorable determinations arising from the environmental process, the Lease and Development Agreement may be terminated and the Project Loan and other agreed costs will then be payable by the Authority at the agreed terms.

While there is some uncertainty related to the environmental process and the terminal and runway developments, the Authority has a high level of confidence in these projects and believes that they are in the long-term interests of the Airport and the surrounding community. Therefore, while the Authority is disclosing the possibility that this Loan obligation may return, it has elected not to record a contingent liability for this eventuality.

The Authority will continue to pursue the runway and terminal projects in line with FAA, federal, state, and local requirements.

(19) Economic Dependency

A significant portion of total revenue is directly and indirectly related to commercial airline service. The Airport is served by and dependent on one major airline. The Airport has historically been dependent on federal, State, and local government grants for Airport improvements and operating subsidies. The Authority has granted the rights to certain airport revenues to The New HVN, LLC who have agreed to make significant financial investments at the Airport through a combination of debt and equity funding.

(Continued)

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to Financial Statements

Year ended June 30, 2023

(20) Implementation of Future GASB Pronouncements

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- **Statement No. 100, *Accounting Changes and Error Corrections*.** The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
- **Statement No. 101, *Compensated Absences*.** The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(21) Subsequent Events

On December 22, 2023, the Authority received a Finding of No Significant Impact from the FAA on an environmental assessment that analyzed the impacts of projects identified in the recent Master Plan, including an extension of Runway 2-20 and construction of a new eastside terminal and supporting infrastructure. This decision allows the Authority and the Lessee to begin implementation of the proposed projects.

On February 6, 2024 the Town of East Haven announced their intent to appeal the FAA's decision and on February 14, 2024 Save the Sound and the Town of East Haven filed a petition for review with the United States Court of Appeals for the District of Columbia Circuit.

The outcome of such an appeal is unknown, and the Authority is unable to specifically quantify all the financial impacts of an unfavorable decision, including any impact on the Project Loan, as discussed in Note 18. The Authority continues to advance planning, design, and permitting efforts for the above projects.

TWEED-NEW HAVEN AIRPORT AUTHORITY

Revenues, Expenditures and Changes in Fund Balance-Budgetary Comparison Schedule

Year ended June 30, 2023

	<u>General Fund</u>		<u>Admin Fund</u>		<u>Airfield Fund</u>		<u>Restricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
	<u>Budgeted Amounts-</u>	<u>Actual</u>	<u>Budgeted Amounts-</u>	<u>Actual</u>	<u>Budgeted Amounts-</u>	<u>Actual</u>	<u>(Passenger Facility</u>		
	<u>Annualized</u>		<u>Annualized</u>		<u>Annualized</u>		<u>Charges)</u>	<u>(Capital Projects)</u>	
Revenues:									
Government reimbursements	\$ 186,433	14,230	-	-	-	-	-	6,624,035	6,638,265
Concessions, fees and rentals	970,262	1,202,682	539,384	197,172	359,963	387,881	2,035,406	19,476	3,842,617
Expense reimbursements and other income	-	632,753	-	51,205	2,157,484	2,040,256	-	-	2,724,214
Grant Income	-	1,240,815	-	-	-	-	-	-	1,240,815
Interest income-GASB 87	-	-	-	340,137	-	-	-	-	340,137
City of New Haven subsidy	22,260	162,500	-	-	140,240	-	-	-	162,500
Interest and investment income	-	759	-	-	-	-	1,402	5,397	7,558
Total revenues	<u>1,178,955</u>	<u>3,253,739</u>	<u>539,384</u>	<u>588,514</u>	<u>2,657,687</u>	<u>2,428,137</u>	<u>2,036,808</u>	<u>6,648,908</u>	<u>14,956,106</u>
Authority expenses:									
Professional fees	16,438	571,657	241,644	493,627	-	-	-	-	1,065,284
Authority management	17,341	20,717	173,972	148,193	-	-	-	-	168,910
Management and performance fees	43,170	42,358	-	-	120,822	116,667	-	-	159,025
Avports ASD Fund	11,227	11,346	-	-	-	-	-	-	11,346
Avports engineering fee	6,849	-	-	-	-	-	-	-	-
Airport operations:									
Salaries and benefits	454,785	445,154	-	-	1,281,249	1,461,605	-	-	1,906,759
Maintenance	134,788	101,060	-	1,280	708,581	455,089	-	-	557,429
Administration, office and marketing expenses	124,468	45,872	-	9,257	198,651	197,788	-	-	252,917
Parking contractor expense	198,630	209,590	-	-	-	-	-	-	209,590
Utilities	99,798	74,836	-	-	138,468	125,220	-	-	200,056
Residential sound insulation	-	-	-	-	-	-	-	175,577	175,577
Security	57,277	51,942	-	-	47,675	23,942	-	69,550	145,434
Insurance	25,752	14,401	-	3,640	162,241	47,826	-	-	65,867
Capital outlays:									
Infrastructure capital costs	-	-	-	-	-	-	-	6,459,482	6,459,482
Total expenditures	<u>1,190,523</u>	<u>1,588,933</u>	<u>415,616</u>	<u>655,997</u>	<u>2,657,687</u>	<u>2,428,137</u>	<u>-</u>	<u>6,704,609</u>	<u>11,377,676</u>
Other financing sources and uses, including transfers:									
Interfund transfers		995		-		-	(56,696)	55,701	-
Total other financing sources		<u>995</u>		<u>-</u>		<u>-</u>	<u>(56,696)</u>	<u>55,701</u>	<u>-</u>
Net changes in fund balances		1,665,801		(67,483)		-	1,980,112	-	3,578,430
Fund balances - beginning of year		(1,379,675)		-		-	173,179	-	(1,206,496)
Fund balances - end of year		<u>\$ 286,126</u>		<u>(67,483)</u>		<u>-</u>	<u>2,153,291</u>	<u>-</u>	<u>2,371,934</u>

* Budgets annualized through or from the date of the Lease and Development Agreement dated August 19, 2022

**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
Tweed-New Haven Airport Authority

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 governmental activities, each major fund, and the aggregate remaining fund information of Tweed-New Haven Airport Authority (Authority) as of and for the year then ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 21, 2024.

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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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 over financial reporting 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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Solution + Company, LLC

February 21, 2024

**Independent Auditor's Report On Compliance For Each Major Program
And On Internal Control Over Compliance Required By The Uniform Guidance**

To the Board of Commissioners
Tweed-New Haven Airport Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Tweed-New Haven Airport Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Tweed-New Haven Airport Authority's major federal programs for the year ended June 30, 2023. Tweed-New Haven Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. In our opinion, Tweed-New Haven Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Tweed-New Haven Airport Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Tweed-New Haven Airport Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Tweed-New Haven Airport Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Tweed-New Haven Airport Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Tweed-New Haven Airport Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Tweed-New Haven Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Tweed-New Haven Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Tweed-New Haven Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed. We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Solution + Company, LLC

February 21, 2024

TWEED-NEW HAVEN AIRPORT AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation- Airport Improvement Program:			
Relocate Runway 20	20.106	3-09-0013-050-2020	\$ 370,184
Residential Sound Insulation Program - Phase 6	20.106	3-09-0013-057-2020	129,972
Acquire Rescue and Fire Fighting Vehicle	20.106	3-09-0013-058-2021	695,044
Twys A F G Construction Ph 1 & Relocate Perimeter Fence	20.106	3-09-0013-061-2021	5,110,714
Airport Rescue Grant	20.106	3-09-0013-064-2022	1,240,815
Environmental Assessment Five Year Development	20.106	3-09-0013-066-2022	248,571
TSA Law Enforcement Officer Grant	97.090	N/A	<u>83,780</u>
Total U.S. Department of Transportation -Airport Improvement Program			\$ <u><u>7,879,080</u></u>

See notes to schedule of expenditures of federal awards.

TWEED-NEW HAVEN AIRPORT AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Tweed-New Haven Airport Authority (Authority) under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 – Agreement with City of New Haven

The Tweed-New Haven Airport is owned by the City of New Haven (City) and leased to the Authority under a Lease and Operating Agreement dated July 1, 1998, and subsequently amended and restated August 19, 2022.

TWEED-NEW HAVEN AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs - Federal Awards

Year ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified? _____ yes X no

• Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? _____ yes X no

• Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with Section
200.516 of the Uniform Guidance? _____ yes X no

Identification of major programs:

CFDA Number(s): 20.106 - U.S. Department of Transportation-Airport Improvement Program

Dollar threshold used to distinguish between
type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II – Financial Statement Findings

No findings or questioned costs are reported relating to financial statements audit.

Section III– Federal Award Findings and Questioned Costs

No findings or questioned costs are reported relating to Federal award programs.