

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
CAPITAL CITY ECONOMIC DEVELOPMENT AUTHORITY  
FISCAL YEAR ENDED JUNE 30, 2008*

**AUDITORS OF PUBLIC ACCOUNTS**  
KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

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May 26, 2010

**AUDITORS' REPORT**  
**CAPITAL CITY ECONOMIC DEVELOPMENT AUTHORITY**  
**FISCAL YEAR ENDED JUNE 30, 2008**

We have made an examination of the books, records and accounts of the Capital City Economic Development Authority (CCEDA), as provided in Section 2-90, as amended, and Section 1-122 and Section 32-605, subsection (c), of the General Statutes, for the fiscal year ended June 30, 2008.

**SCOPE OF AUDIT:**

This audit was primarily limited to performing tests of the Capital City Economic Development Authority's compliance with certain provisions of laws, regulations, contracts and grants, including but not limited to a determination of whether the Authority has complied with its regulations concerning the following areas:

- Affirmative action
- Personnel practices
- Purchases of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources

We also considered the Capital City Economic Development Authority's internal control over its financial operations and its compliance with requirements that could have a material or significant effect on the Authority's financial operations, in order to determine our auditing procedures for the purpose of evaluating the Authority's financial operations and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives. Our consideration of internal control included the five areas identified above.

Our audit included a review of a representative sample of the Authority's activities during the fiscal year in the five areas identified above and a review of such other areas as we considered

necessary. The financial statement audit of the Capital City Economic Development Authority, for the fiscal year indicated above, was conducted by the Authority's independent public accountants.

This report on our examination consists of the Comments, Condition of Records, and Recommendations which follow.

## COMMENTS

### **FOREWORD:**

The Capital City Economic Development Authority, hereinafter referred to as CCEDA or the Authority, was established in 1998 under Title 32, Chapter 588x of the General Statutes. As a quasi-public agency under Section 1-120 of the General Statutes, CCEDA is a body politic and corporate, and an instrumentality of the State of Connecticut. For financial reporting purposes, CCEDA is a component unit of the State and its financial statements are included in the State's Comprehensive Annual Financial Report.

The powers of the Authority are vested in a seven-member Board of Directors appointed jointly by the Governor, the Speaker of the House of Representatives, the Majority Leader of the House of Representatives, the Minority Leader of the House of Representatives, the President Pro Tempore of the Senate, the Majority Leader of the Senate and the Minority Leader of the Senate. The chairperson shall be designated by the Governor. Effective June 26, 2003, in accordance with Public Act 03-150, one member of the Board shall be a Hartford resident, other than an elected or appointed official of that city, recommended by the mayor of Hartford.

The purpose of CCEDA is to stimulate new investment in Connecticut, to attract and service large conventions, tradeshows, conferences etc., to encourage diversification of the State's economy, to strengthen Hartford's role as the region's major business and industry employment center and seat of government, and to encourage residential housing development in downtown Hartford.

With regard to the convention center project, CCEDA is to construct, operate, maintain and market the project.

CCEDA was also created to coordinate the use of all State and municipal planning and financial resources that are available for any Capital City Project, as defined in Section 32-600 of the General Statutes.

### **Board of Directors and Administrative Officials:**

Members of the CCEDA Board of Directors as of June 30, 2008, were as follows:

William McCue, Chair  
Margaret Buchanan  
Luis Caban  
Joseph Gianni

Mary Ann Hanley  
 Anthony March  
 Rodney Powell

The Chief Executive Officer (Executive Director) of the Authority is appointed by the Board. James Abromaitis was appointed on March 2, 2007 upon the resignation of Annette Sanderson effective on March 1, 2007.

**RÉSUMÉ OF OPERATIONS:**

CCEDA receives annual operating funding from the State as part of the State's General Fund budget. For the year ended June 30, 2008, CCEDA received funding of \$1,050,000, as compared to \$1,000,000 and \$712,500 in the two prior years. Unexpended balances are carried forward. In addition, CCEDA receives funding through the Office of Policy and Management (OPM) to be utilized for specific development costs related to Capital City projects, as mentioned previously.

CCEDA is authorized to issue bonds, notes and other obligations. As of June 30, 2008, the Authority was authorized to issue bonds and other obligations up to \$122,500,000. Obligations of the Authority are not deemed to constitute debt of the State or any other political subdivision. During the 2005 fiscal year, the Authority issued Parking and Energy Fee Revenue bonds in the amount of \$72,500,000. During the 2006 fiscal year, CCEDA issued \$15,000,000 of Series C Parking and Energy Fee Revenue Bonds.

Based on the Authority's audited financial statements, below is a summary of the financial operations of the Authority for the year under review with 2006 and 2007 (restated) fiscal year figures shown for comparative purposes:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$
Revenues:			
State grants:			
Operating grant	1,050,000	1,000,000	712,500
Convention center grants	6,850,000	6,900,000	5,500,000
Interest income	352,139	551,152	442,162
Adriaen's Landing revenues	15,473,921	14,030,471	12,896,708
Other income	<u>100,000</u>	<u>20,000</u>	<u>25,000</u>
Total Revenues	<u>23,826,060</u>	<u>22,501,623</u>	<u>19,576,370</u>
Expenses:			
Authority operations	934,971	878,242	765,747
Adriaen's Landing expenses	19,061,320	17,622,577	16,527,251
Interest expense	3,614,123	3,532,926	3,466,782
Depreciation expense	<u>8,148,812</u>	<u>8,130,111</u>	<u>7,694,129</u>
Total Expenses	<u>31,759,226</u>	<u>28,453,909</u>	

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Change in net assets	(7,933,166)	(7,662,233)	(8,877,539)
Net assets, beginning of year	188,191,555	186,565,984	164,389,599
Capital contributed by State	<u>779,740</u>	<u>9,287,804</u>	<u>31,053,924</u>
Net assets, end of year	<b><u>\$181,038,129</u></b>	<b><u>\$188,191,555</u></b>	<b><u>\$186,565,984</u></b>

Revenue as compared to the previous years increased as a result of increases in Convention Center grants. Development costs were marketing and management costs of the Convention Center and consisted primarily of contractual payments to market downtown Hartford and the region.

Contributed capital consists of the value of State expenditures made during the year on behalf of the Convention Center facilities (net of expenditures of \$6,689,510 that were made from CCEDA's own bond proceeds). The State of Connecticut expended \$779,740 during the fiscal year ended June 30, 2008 for construction costs of the Convention Center and related parking infrastructures.

During the year ended June 30, 2005, the Authority entered into an agreement with the Travelers Indemnity Company to provide up to \$12.5 million in funding for a parking garage. During the year ended June 30, 2008, the Authority entered into an Amended and Restated Term Loan Agreement with Travelers and the full \$12.5 million was advanced. Repayment of this loan is secured by parking revenues payable by Travelers to the Authority under its parking agreement. As of June 30, 2008, the outstanding balance on this loan was \$12,468,781.

In accordance with Section 32-655a of the General Statutes, representatives of OPM function as the project comptroller, entering into contracts and approving documents for payment. An independent auditing firm has been engaged to provide a review of all expenditures and cost allocations, as well as verifying conformance with the project budget. In addition, the State Comptroller's Office pre-audits all invoices in excess of \$100.

30,163,856

**CONDITION OF RECORDS**

Our limited examination of the records of the Capital City Economic Development Authority did not reveal any areas requiring attention.

**RECOMMENDATIONS**

Our prior audit contained one recommendation. That issue is not being repeated.

*Prior Audit Recommendation:*

- The Authority should examine its purchasing practices, as well as those of the contracted management companies, to confirm that the processes currently in place conform to promulgated policies. This will be revisited during the audit of the 2009 fiscal year, as the Authority did not have ample time to address this issue.

*Current Audit Recommendations:*

None

## INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 and Section 1-122 and Section 32-605, subsection (c), of the General Statutes, we have conducted an audit of the Capital City Economic Development Authority's activities for the fiscal year ended June 30, 2008. This audit was primarily limited to performing tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to a determination of whether the Authority has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds and the distribution of loans, grant agreements and other financial resources, and to understanding and evaluating the effectiveness of the Authority's internal control policies and procedures for ensuring that the provisions of certain laws, regulations, contracts and grant agreements applicable to the Authority are complied with. The financial statement audit of the Capital City Economic Development Authority, for the fiscal year indicated above, was conducted by the Authority's independent public accountants.

We conducted our audit in accordance with the requirements of Section 2-90 and Section 1-122 and Section 32-605, subsection (c), of the General Statutes. In doing so, we planned and performed the audit to obtain reasonable assurance about whether the Capital City Economic Development Authority complied in all material respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

### **Internal Control over Financial Operations and Compliance:**

In planning and performing our audit, we considered the Capital City Economic Development Authority's internal control over its financial operations and its compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Authority's financial operations and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Authority's internal control over those control objectives. Our consideration of internal control included, but was not limited to, the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources

A *control deficiency* 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 on a timely basis unauthorized, illegal, or irregular transactions. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to properly initiate, authorize, record, process, or report financial data reliably consistent with management's direction, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that

noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the Authority's financial operations will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over the Authority's financial operations, and compliance with requirements would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Authority's financial operations and compliance with requirements that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the Capital City Economic Development Authority complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Authority's financial operations for the fiscal year ended June 30, 2008, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources.

Our examination included reviewing all or a representative sample of the Authority's activities in those areas and performing such other procedures as we considered necessary in the circumstances.

The results of our tests disclosed no material or significant instances of noncompliance.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited. Users of this report should be aware that our audit does not provide a legal determination of the Authority's compliance with the provisions of the laws, regulations, contracts and grant agreements included within the scope of this audit.

**CONCLUSION**

In conclusion, we wish to express our appreciation for the cooperation and courtesies extended to our representatives by the staff of the Capital City Economic Development Authority during the course of our examination.

Kenneth Post  
Principal Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts