

STATE OF CONNECTICUT

**AUDITORS' REPORT
TWEED-NEW HAVEN AIRPORT AUTHORITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

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

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May 6, 2004

**AUDITORS' REPORT
TWEED-NEW HAVEN AIRPORT AUTHORITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

We have made an examination of the financial records of the Tweed-New Haven Airport Authority for the fiscal years ended June 30, 2002 and 2003. We have relied on the financial and compliance audits conducted of the Authority by independent public accountants covering these fiscal years, after having satisfied ourselves as to the firm's professional reputation, qualifications and independence, and verifying that generally accepted accounting principles and auditing standards were followed in the audits and in the preparation of the reports. Financial statements are included in the Authority's annual reports for fiscal years ended June 30, 2002 and 2003. In addition to reviewing the audits and related working papers prepared by the independent public accountants, we reviewed the Authority's compliance with State statutory annual reporting requirements. We also reviewed the minutes of the Authority. We conducted our audit in accordance with generally accepted government auditing standards for financial related audits. This report on our examination consists of the following Comments, Condition of Records, and Recommendations sections.

COMMENTS

FOREWORD:

The Tweed-New Haven Airport Authority was created July 1, 1997, by Public Act 97-271, codified under Title 15, Chapter 267a, of the Connecticut General Statutes.

The Authority was created for the purpose of maintaining and improving Tweed-New Haven Airport. The Authority is a body politic and corporate constituting a public instrumentality and political subdivision of the State, created for the performance of an essential public and governmental function.

The Authority is governed by a 14-member Board of Directors, each member serving not more than two consecutive four-year terms. Nine of the members are appointed by the mayor of

New Haven, two by the mayor of East Haven and three by the South Central Regional Council of Governments. According to Section 15-120j of the General Statutes, the Authority shall manage, maintain, supervise, and operate Tweed-New Haven Airport; conduct the business of a regional airport; charge reasonable fees for the services it performs; enter into contracts, leases, and agreements for goods and equipment and for services with airlines, concessions, counsel, consultants and advisors; contract for construction projects; contract to finance the operations and debt of the Airport and borrow funds for Airport purposes; employ a staff necessary to carry out its functions and purposes; acquire property for Airport purposes; prepare and issue budgets, reports, procedures and audits; and execute all other powers granted.

The Authority is empowered to issue bonds, notes and other obligations for any of its corporate purposes and to fund and refund the same. Debt issued by the Authority is not a debt of the State of Connecticut or any other political subdivision and the State is not obligated for such debt, as specified in Section 15-120l subsection (g) of the General Statutes.

As of June 30, 2003, the members of the Authority's Board of Directors were as follows:

Appointed by New Haven:

Lawrence J. DeNardis, Ph.D.
Kyle Ballou
Pedro Romero
A. Walter Esdaile
Daniel Adams
Peter Villano
Gerald T. Weiner, Esq.
Hon. Arlene DePino
Andrew I. Schaffer, Esq.

Appointed by East Haven:

Marcia J. Munro
Dr. Louis J Pellegrino, DDS

Appointed by the Council of Governments:

John Crawford
Jeffery T. Wack, Ph.D.
Hon. Joanne Wentworth

The following also served on the Board of Directors during the audited period:

Henry E. Parker
Hon. Justin Gargiulo, Jr.
James F. Cirillo, Esq.

In addition, pursuant to section 15-120i, of the General Statutes, the Board of Directors shall elect a chairperson from among its members and shall annually elect one of its members as vice-chairperson. Roger F. Joyce served as chairperson until July 1, 2001 and was succeeded by Lawrence J. DeNardis, Ph.D., who was elected chairperson on July 11, 2001.

Edwin V. Selden served as Executive Director through September 30, 2002. The Authority established a new tri-partite organization during its November 13, 2002 meeting of the Board of Directors naming Susan Godshall, Administrative Director; Robert Santy, Public Strategy Management; and Richard Lamport, Airport Manager.

Accounting Policies:

The Authority maintains books of accounts for its operations. A description of each fund and its purpose follows:

General Fund – Revenues and expenses applicable to the operations of the Tweed-New Haven Airport are accounted for within this Fund. It is the general operating fund of the Authority and operates under a legal budget as adopted by the Board of Directors.

Passenger Facility Charge Fund – Passenger facility charges (PFC) are accounted for in the Passenger Facility Charge Fund, a special revenue fund. PFCs are fees collected for Federally approved airport improvements and expenditures. The fees are surcharges added to the airline tickets of passengers, with the approval of the Federal Aviation Administration, for a specific program period, renewable upon request. Projects funded partially or entirely with PFC revenue must meet at least one of the following criteria: 1. Preserve or enhance safety, security, or capacity of the national air transportation system; 2. Reduce noise or mitigate noise impacts resulting from an airport; or 3. Furnish opportunities for enhanced competition between or among carriers.

Financial and Compliance Audits:

A firm of certified public accountants audited the books and accounts of the Authority during each of the fiscal years under review as required under the provisions of Sections 15-120g through 15-120o of the General Statutes. In order not to duplicate its efforts we have accepted the financial statements as audited, after satisfying ourselves as to the professional reputation, qualifications and independence of the auditors and verifying that generally accepted accounting principles and auditing standards were followed.

The firm of certified public accountants also performed a test of compliance with requirements in accordance with Section 1-122 of the General Statutes. The resulting reports indicated no material instances of noncompliance with respect to those items tested; and, with respect to items not tested, nothing came to the firm’s attention that caused it to believe that the Authority had not complied, in all material respects, with those requirements.

The audit reports, covering the fiscal year ended June 30, 2002, and the fiscal year ended June 30, 2003, contained unqualified opinions and disclosed no reportable conditions or audit findings.

RÉSUMÉ OF OPERATIONS:

Operating revenues of the Authority’s General Fund for the fiscal years ended June 30, 2002 and 2003, totaled \$1,498,541 and \$1,480,525, respectively, and are summarized below with the fiscal year ended June 30, 2001, presented for comparative purposes:

	Fiscal Year Ended June 30,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
State of Connecticut subsidy	\$ 600,000	\$ 600,000	\$ 600,000
Concessions, fees and rentals	594,565	430,328	461,002
City of New Haven funding	600,000	400,000	400,000
Interest and investment income	161,259	66,931	19,523
Miscellaneous	0	1,282	0
Total Revenues	<u>\$ 1,955,824</u>	<u>\$ 1,498,541</u>	<u>\$ 1,480,525</u>

Auditors of Public Accounts

The chief source of revenue for the Authority was the funding provided by the Connecticut Department of Transportation and the City of New Haven, and revenues received from concessions, fees and rentals.

During the fiscal years ended June 30, 2002 and 2003, operating expenses of the Authority totaled \$1,956,438 and \$1,758,997, respectively, as summarized below with the fiscal year ended June 30, 2001, presented for comparative purposes:

	Fiscal Year Ended June 30,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Personal services	\$ 710,221	\$ 614,580	\$ 781,820
Payroll taxes and employee benefits	234,574	243,137	0
Management and performance fees (AvPORTS)	180,450	184,075	208,500
Maintenance	188,637	142,629	147,143
Marketing and promotional expenses	180,555	148,947	69,705
Authority management	103,841	113,612	110,144
Utilities	115,827	119,591	124,540
Professional fees	88,430	110,509	48,507
Administration	80,405	214,397	130,478
Capital expenditures	8,976	0	0
Insurance	21,902	40,463	45,844
Security	<u>0</u>	<u>24,498</u>	<u>92,316</u>
Total Expenditures	<u>\$ 1,913,818</u>	<u>\$ 1,956,438</u>	<u>\$ 1,758,997</u>

On July 1, 1998, the Authority entered into a management agreement with American Port Services (AMPORTS) to manage the operations of Tweed-New Haven Airport for ten years. During fiscal year ended June 30, 2003, AMPORTS was purchased by Macquarie Corporate Finance (USA) Inc. and AMPORTS became AvPORTS, which, per the original contract with AMPORTS, receives an annual fixed fee and certain performance and incentive fees. AvPORTS bills the Authority's General Fund for all operating expenses of the Airport.

Expenditures increased by \$42,620 and decreased by \$197,441 in the fiscal years ending June 30, 2002 and June 30, 2003, respectively. The increase in the 2001-2002 fiscal year was primarily attributable to increases in professional fees and administrative costs, while the decrease in the following fiscal year was attributable to decreases in professional fees, administrative costs, marketing and promotional expenses, and personal services. The personal services aspect relates to the executive director's contract ending on June 30, 2002, which was extended through September 30, 2002. The executive director's contract was not renewed and the position was not filled during the audited period. It should be noted that for the 2002-2003 fiscal year payroll taxes and employee benefits are reported as included in personal services expenditures, as compared to the two previous years shown as being reported separately.

The fund balance of the Authority's General Fund account decreased during the audited period. A summary of the changes in the General Fund balance for the fiscal years ended June 30, 2002 and 2003 follows, with the fiscal year ended June 30, 2001, presented for comparative purposes:

	Fiscal Year Ended June 30,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues	\$ 1,955,824	\$ 1,498,541	\$ 1,480,525
Expenses	<u>1,913,818</u>	<u>1,956,438</u>	<u>1,758,997</u>
Excess of Revenues over Expenses	42,006	(457,897)	(278,472)
Interfund transfers	199,157	0	0
Fund Balance, beginning of year	<u>959,069</u>	<u>1,200,232</u>	<u>742,335</u>
Fund Balance, End of Year	<u>\$ 1,200,232</u>	<u>\$ 742,335</u>	<u>\$ 463,863</u>

The fair market value of identifiable tangible property as of June 30, 2003, was approximately \$900,000.

The only other fund maintained by the Authority is the Passenger Facility Charge Fund. During the fiscal years ended June 30, 2002 and 2003, the Fund's revenues totaled \$71,617 and \$67,485, respectively. The sources of revenue for the Fund were passenger facility charges and interest and investment income.

There were no expenditures made from the Passenger Facility Charge Fund during the audited period.

CONDITION OF RECORDS

No exceptions were noted during our review of the Tweed-New Haven Airport Authority's records.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

We recommended that the Authority establish guidelines for maintaining equipment and inventory records that would include tagging, valuation, an annual physical inventory, and clear identification as to what is actually Authority property. During the course of our current audit we determined that the Authority has fully complied with our recommendation.

Current Recommendations:

No recommendations resulted from our current review.

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesy and cooperation extended to our office by the personnel of the Tweed-New Haven Airport Authority during the course of our examination.

Mark Dickerson
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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