

STATE OF CONNECTICUT

**AUDITORS' REPORT
TWEED-NEW HAVEN AIRPORT AUTHORITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2005**

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

Table of Contents

INTRODUCTION	1
COMMENTS	1
Foreword.....	1
Accounting Policies	3
Financial and Compliance Audits.....	3
Résumé of Operations.....	4
CONDITION OF RECORDS	6
RECOMMENDATIONS	7
CONCLUSION	8

February 7, 2007

**AUDITORS' REPORT
TWEED-NEW HAVEN AIRPORT AUTHORITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2005**

We have made an examination of the financial records of the Tweed-New Haven Airport Authority for the fiscal years ended June 30, 2004 and 2005. 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 the fiscal years ended June 30, 2004 and 2005. 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.

Auditors of Public Accounts

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, 2005, 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
Andrew J. Rizzo, Jr.
Gerald T. Weiner, Esq.
Hon. Arlene DePino
Henry Fernandez

Appointed by East Haven:

Marcia J. Munro
William Coté, Esq.

Appointed by the Council of Governments:

John Crawford
Diane L. Wishnafski
Hon. Joanne Wentworth

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

Dr. Louis J. Pellegrino, DDS
Peter Villano
Andrew I. Schaffer, Esq.
Jeffery T. Wack, Ph.D.

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. Lawrence J. DeNardis, Ph.D., served as chairperson throughout the audited period.

The Authority established a tri-partite organization during the 2002-2003 fiscal year and named Susan Godshall, Administrative Director; Robert Santy, Public Strategy Management; and Richard Lamport, Airport Manager, each of them serving in their respective positions throughout the audited period.

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 the Authority's regulations concerning affirmative action, personnel practices, the purchase of goods and services, and the use of surplus funds in accordance with Section 15-120o, subsection (b), 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, 2004, and the fiscal year ended June 30, 2005, 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, 2004 and 2005, totaled \$2,360,264 and \$2,695,566, respectively, and are summarized below with the fiscal year ended June 30, 2003, presented for comparative purposes:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
State of Connecticut subsidy	\$ 600,000	\$ 600,000	\$ 600,000
Concessions, fees and rentals	461,002	578,938	902,979
City of New Haven funding	400,000	900,000	900,000
Interest and investment income	19,523	3,659	23,186
Miscellaneous	<u>0</u>	<u>277,667</u>	<u>269,401</u>
Total Revenues	<u>\$ 1,480,525</u>	<u>\$ 2,360,264</u>	<u>\$ 2,695,566</u>

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, 2004 and 2005, operating expenses of the Authority totaled \$1,927,431 and \$2,570,415, respectively, as summarized below with the fiscal year ended June 30, 2003, presented for comparative purposes:

	Fiscal Year Ended June 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Salaries and benefits	\$ 781,820	\$ 784,044	\$ 803,727
Management and performance fees (AvPORTS)	208,500	201,493	199,996
Maintenance	147,143	230,817	398,960
Marketing and promotional expenses	69,705	115,022	394,339
Authority management	110,144	117,709	213,674
Utilities	124,540	119,496	168,644
Professional fees	48,507	84,388	71,333
Administration and office expenses	130,478	57,479	73,467
Insurance	45,844	38,720	51,592
Security	<u>92,316</u>	<u>178,263</u>	<u>194,683</u>
Total Expenditures	<u>\$ 1,758,997</u>	<u>\$ 1,927,431</u>	<u>\$ 2,570,415</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 the 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 \$168,434 and \$642,984 during the fiscal years ending June 30, 2004 and June 30, 2005, respectively. The increase in the 2003-2004 fiscal year was primarily attributable to increases in maintenance and security costs and was offset slightly by a decrease in administration and office expenses. The increase from the 2003-2004 fiscal year to the 2004-

2005 fiscal year was primarily attributable to increases in maintenance costs, marketing and promotional expenses, and authority management expenses, in addition to increases in utilities and security expenses.

The fund balance of the Authority's General Fund account increased during the audited period. A summary of the changes in the General Fund balance for the fiscal years ended June 30, 2004 and 2005, follows with the fiscal year ended June 30, 2003, presented for comparative purposes:

	Fiscal Year Ended June 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues	\$ 1,480,525	\$ 2,360,264	\$ 2,695,566
Expenses	<u>1,758,997</u>	<u>1,927,431</u>	<u>2,570,415</u>
Excess of Revenues over Expenses	(278,472)	432,833	125,151
Fund Balance, beginning of year	742,335	463,863	905,696
Prior Year Adjustment	<u>0</u>	<u>9,000</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 463,863</u>	<u>\$ 905,696</u>	<u>\$ 1,030,847</u>

The prior year adjustment included in the 2004 fiscal year is to correct an error in the fund balance of the General Fund per our prior audit.

The fair market value of identifiable tangible property as of June 30, 2005, was approximately \$1,000,000.

The only other fund maintained by the Authority is the Passenger Facility Charge Fund. During the fiscal years ended June 30, 2004 and 2005, the Fund's revenues totaled \$81,928 and \$257,322, respectively. The sources of revenue for the Fund were passenger facility charges and interest and investment income.

There were expenditures of \$24,508 and \$189,430 made from the Passenger Facility Charge Fund during the 2003-2004 and 2004-2005 fiscal years, respectively. The expenditures during both fiscal years were charged to maintenance.

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:

There were no prior audit recommendations.

Current Recommendations:

No recommendation 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