

STATE OF CONNECTICUT



*AUDITORS' REPORT
TWEED-NEW HAVEN AIRPORT AUTHORITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009*

AUDITORS OF PUBLIC ACCOUNTS

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May 21, 2010

**AUDITORS' REPORT
TWEED-NEW HAVEN AIRPORT AUTHORITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009**

We have made an examination of the financial records of the Tweed-New Haven Airport Authority for the fiscal years ended June 30, 2008 and 2009. 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, 2008 and 2009. 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 meeting 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.

During the audited period, the Authority was governed by a 14-member Board of Directors, each member serving not more than two consecutive four-year terms, with nine of the members appointed by the mayor of New Haven, two by the mayor of East Haven and three by the South Central Regional Council of Governments. Section 119 of Public Act 09-7, of the September Special Session, effective October 5, 2009, changed the number of Board members from 14 to 15. The Public Act also changed the number of members to be appointed by each appointing authority as follows: from nine to eight by the mayor of New Haven; from two to five by the mayor of East Haven; and from three to two 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. No bonds have been issued by the Authority.

As of June 30, 2009, the members of the Authority's Board of Directors were as follows:

Appointed by New Haven*:

Mark Volchek
Vin Petrini
Eugene W. Harris
Bruce Alexander
Michael Piscitelli
Gerald Weiner
Kelly Murphy
Hon. Arlene DePino

*One Vacancy

Appointed by East Haven:

Marcia J. Munro
Peter Leonardi

Appointed by the South Central Regional
Council of Governments:

Hon. Thomas Scarpati
Diane L. Wishnafski
Sal Catardi

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

Lawrence J. DeNardis, Ph.D.
Kyle Ballou
Pedro Romero
Daniel Adams
Andrew J. Rizzo, Jr.
Don McGregor
Hon. Joanne Wentworth

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 through September 2007, and Mark Volchek has served as chairperson since then. Kyle Ballou and Gerald T. Wiener each served as vice-chairpersons during the audited period.

There was one change in the Board membership subsequent to June 30, 2009; Linda Balzano was appointed by the mayor of East Haven, replacing Marcia J. Munro.

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. Susan Godshall continues to serve as Administrative Director. Robert Santy's services to the Authority ended during April 2007, and the Authority re-established the position of Executive Director. Tim Larson was hired as Executive Director effective February 5, 2008. Richard Lamport stopped serving as Airport Manager during October 2007, and Eric Billowitz served as interim Airport Manager from November 1, 2007 through April 30, 2008. Lori Hoffman-Soares became Airport Manager, effective May 1, 2008, and is the current Airport Manager.

Fund Structure:

The activities of the Authority are accounted for in three separate funds. A description of each fund and its purpose, as described in the Notes to the Authority's Financial Statements, follows:

General Fund – Revenues and expenses applicable to the operations of the Tweed-New Haven Regional Airport are accounted for within the General 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 are accounted for in the Passenger Facility Charge Fund, a special revenue fund. Passenger facility charges 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 (FAA) for a specific program period, renewable upon request. Projects funded partially or entirely with passenger facility charges 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.

Restricted Capital Project Fund – This Fund is comprised of FAA and State Department of Transportation reimbursements received for prior payments made by the Authority to contractors and consultants from capital bond funds allocated to the Authority by the City of New Haven. The monies in this Fund are restricted to capital project use. Assets were transferred to this Fund during the fiscal year ended June 30, 2008.

Financial and Compliance Audits:

As previously indicated, we have relied on the financial and compliance audits conducted of the Authority by independent public accountants covering the 2008 and 2009 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. The audit reports covering these fiscal years contained unqualified opinions and disclosed no reportable conditions or audit findings.

RÉSUMÉ OF OPERATIONS:

General Fund:

Operating revenues of the Authority's General Fund for the fiscal years ended June 30, 2008 and 2009, totaled \$2,026,782 and \$2,578,607, respectively, and are summarized below with the fiscal year ended June 30, 2007, presented for comparative purposes. The information was obtained from the Authority's audited financial statements:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
State of Connecticut subsidy	\$ 600,000	\$ 600,000	\$ 570,000
Concessions, fees and rentals	776,914	603,736	737,731
City of New Haven funding	900,000	800,000	710,000
Government Reimbursements	0	0	556,828
Interest and investment income	36,508	23,046	4,048
Miscellaneous	2,144	0	0
Total General Fund Revenues	<u>\$2,315,566</u>	<u>\$2,026,782</u>	<u>\$2,578,607</u>

The chief source of revenue of the Authority's General Fund was the funding provided by the Connecticut Department of Transportation and the City of New Haven, and revenues received from concessions, fees and rentals. The overall increase in General Fund revenues was mainly due to reimbursements received from the FAA for project related legal fees. These were one-time reimbursements received in the 2009 fiscal year for legal services required to defend the Department of Environmental Protection permits issued in April 2007 for Runway Safety Area improvements.

During the fiscal years ended June 30, 2008 and 2009, total expenses of the Authority's General Fund totaled \$2,778,074 and \$2,427,257, respectively, as summarized below with the fiscal year ended June 30, 2007, presented for comparative purposes. The expenses are broken down into the categories of Authority Expenses and Airport Operations. The information was obtained from the Authority's audited financial statements:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Authority Expenses:	\$	\$	\$
Professional fees	372,650	488,899	56,402
Airport management and performance fees	212,384	225,546	225,104
Marketing and promotional expenses	159,289	170,602	189,188
Authority management	177,044	100,344	178,606
Airport Operations:			
Salaries and benefits	931,030	1,011,820	988,145
Maintenance	238,481	248,175	223,608
Utilities	181,994	196,715	231,562
Security	210,173	230,490	202,555
Bad debts	0	0	48,082
Insurance	49,621	59,000	42,399
Administration and office expenses	35,305	46,483	41,606
Total Expenses	<u>\$2,567,971</u>	<u>\$2,778,074</u>	<u>\$2,427,257</u>

The Authority currently has a management agreement with AFCO AvPorts Management LLC to manage the operations of Tweed-New Haven Regional Airport through June 30, 2018. The Authority approved the assignment of this contract from Macquarie Aviation North America 2, Inc., on April 9, 2008. AFCO receives an annual fixed fee and is also entitled to various incentive fees under certain circumstances. AFCO bills the Authority's General Fund for all operating expenses of the Airport.

Expenditures increased by \$210,103 during the fiscal year ending June 30, 2008, and decreased by \$350,817 during the fiscal year ending June 30, 2009. The increase in the 2007-2008 fiscal year was primarily attributable to increases in salaries and benefits, and professional fees. The decrease from the 2007-2008 fiscal year to the 2008-2009 fiscal year was primarily attributable to professional fees, which during the 2008-2009 fiscal year were charged in part to the Restricted Capital Project Fund. Marketing and promotional fees increased in both fiscal years due to the Authority continuing its community campaign to build awareness and ridership at Tweed. The increase in Authority management expenses is attributable to the reestablishment of the Executive Director position, which was filled in February 2008.

The fund balance of the Authority's General Fund decreased in both the 2007-2008 and 2008-2009 fiscal years. A summary of the changes in the General Fund balance for the fiscal years ended June 30, 2008 and 2009, follows with the fiscal year ended June 30, 2007, presented for comparative purposes. The information was obtained from the Authority's audited financial statements:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues	\$ 2,315,566	\$ 2,026,782	\$ 2,578,607
Expenses	<u>2,567,971</u>	<u>2,778,074</u>	<u>2,427,257</u>
Excess of Revenues over Expenses	(252,405)	(751,292)	151,350
Fund Balance, beginning of year	1,292,838	1,146,792	644,161
Inter-fund transfer	106,359	248,661	(319,425)
Fund Balance, End of Year	<u>\$ 1,146,792</u>	<u>\$ 644,161</u>	<u>\$476,086</u>

The inter-fund transfers during fiscal years 2008 and 2009 were primarily transfers between the General Fund and the Restricted Capital Projects Fund.

In the Notes to the Financial Statements, it is indicated that the fair market value of identifiable tangible property as of June 30, 2009, was approximately \$1,000,000. The Authority has title to, and can use this property and any subsequent assets acquired in connection with its operation of the airport; however, it is stated in the Lease and Operating Agreement that the Authority has with the City of New Haven, that upon expiration or sooner termination of the Agreement the assets shall immediately and automatically vest in the City of New Haven.

Passenger Facility Charge Fund:

As previously indicated, passenger facility charges are accounted for in the Passenger Facility Charge Fund, a special revenue fund. The expenditures of this Fund are for various FAA approved airport improvement projects. As presented in the audited financial statements, during the fiscal years ended June 30, 2008 and 2009, the Fund's revenues totaled \$151,967 and \$154,076, respectively. Revenue consisted of passenger facility charges and interest and investment income. There were expenditures of \$304,973 and \$109,177 made from the Fund during the 2007-2008 and 2008-2009 fiscal years, respectively, which were either paid directly to vendors from the Fund's checking account or transferred to the General Fund as reimbursements of expenditures. As of June 30, 2009, the Fund had a Restricted Fund Balance of \$72,528.

Restricted Capital Project Fund:

The Authority created this Fund during the 2007-2008 fiscal year to account for the restricted funds received from governmental agencies to be used for capital projects. The Fund is comprised of FAA and State Department of Transportation reimbursements received for prior payments that were made by the Authority to contractors and consultants from capital bond funds allocated to the Authority by the City of New Haven, or in some instances from airport operating funds. Revenues in the 2007-2008 fiscal year were solely from government reimbursements and totaled \$375,344; there were no expenditures. During the 2008-2009 fiscal year, \$580,537 in revenues were reported, \$578,027 of which were government reimbursements and \$2,510 were interest and investment income. The Fund reported expenditures of \$453,574 for the 2008-2009 fiscal year. There were also net transfers from the General Fund totaling \$75,764 during the audited period. As of June 30, 2009, the Fund had a Restricted Fund Balance of \$578,071.

Other State Financial Assistance:

In addition to the State of Connecticut operating subsidies of \$600,000 and \$570,000 provided to the Authority in the 2007-2008 and 2008-2009 fiscal years, respectively, the Authority also received project expenditure reimbursements from the Department of Transportation totaling \$163,648 and \$682,303 in the 2007-2008 and 2008-2009 fiscal years, respectively. State funds were authorized under Public Act 07-7, of the June Special Session, and include general aviation improvements and a specific authorization of \$1,055,000 for the State's share of the cost of the airport's runway safety area.

CONDITION OF RECORDS

There were no recommendations developed as a result of this examination.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

There was one recommendation presented in our prior report, that the Authority should establish procedures for identifying surplus property and disposing of such property, which should include a process for authorizing and documenting property dispositions and investigating missing property. Our current review disclosed that the Authority complied with the recommendation.

Current Recommendations:

There were no recommendations developed as a result of this examination.

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.

Michael DiDomizio
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts