

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
TWEED-NEW HAVEN AIRPORT AUTHORITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

## Table of Contents

---

<b>INTRODUCTION</b> .....	1
<b>COMMENTS</b> .....	1
Foreword.....	1
Fund Structure.....	3
Financial and Compliance Audits.....	4
Résumé of Operations.....	4
General Fund.....	4
Passenger Facility Charge Fund.....	6
Restricted Capital Project Fund.....	6
Other State Financial Assistance.....	6
<b>CONDITION OF RECORDS</b> .....	8
<b>RECOMMENDATIONS</b> .....	9
<b>CONCLUSION</b> .....	10

# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

October 15, 2013

### **AUDITORS' REPORT TWEED-NEW HAVEN AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011**

We have examined the financial records of the Tweed-New Haven Airport Authority for the fiscal years ended June 30, 2010 and 2011. 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 preparation of the reports. Financial statements are included in the authority's annual reports for the fiscal years ended June 30, 2010 and 2011. 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 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 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

---

During the audited period, the authority was governed by a board of directors, each member serving not more than two consecutive four-year terms. 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, 2011, the members of the authority's board of directors were as follows:

Appointed by New Haven\*:

Bruce Alexander  
Eugene W. Harris  
Kelly Murphy  
Vin Petrini  
Michael Piscitelli  
Mark Volchek  
Gerald T. Weiner  
\*One Vacancy

Appointed by East Haven\*:

Linda Balzano  
Peter G. Leonard  
Robert Markowski  
\*Two Vacancies

Appointed by the South Central Regional  
Council of Governments:

Steven R. Angeletti  
Hon. Thomas Scarpati

The following also served on the board of directors during the audited period:

Sal Catardi  
Hon. Arlene DePino  
Marcia J. Munro  
Diane L. Wishnafski

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. Mark Volchek served as chairperson and Gerald T. Wiener served as vice-chairperson during the audited period.

There were two changes in the board membership subsequent to the audited period: Louis Pane, Sr. and Jim Krebs were appointed by the mayor of East Haven and began service July 1, 2011.

The authority established a tri-partite organization during the 2002-2003 fiscal year and named Susan Godshall as administrative director; Robert Santy as public strategy management; and Richard Lamport as airport manager. Susan Godshall continues to serve as administrative director. Robert Santy's service 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 continues to serve in this capacity.

**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.

**Financial and Compliance Audits:**

As previously indicated, we have relied on the financial and compliance audits of the authority conducted by independent public accountants covering the 2010 and 2011 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 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, 2010 and 2011, totaled \$2,846,613 and \$2,701,299, respectively, and are summarized below with the fiscal year ended June 30, 2009, presented for comparative purposes. The information was obtained from the authority's audited financial statements:

	<b><u>Fiscal Year Ended June 30,</u></b>		
<b>Revenues:</b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
State of Connecticut Subsidy	\$ 570,000	\$ 1,425,000	\$ 1,500,000
Concessions, Fees and Rentals	737,731	716,124	874,943
City of New Haven Funding	710,000	550,000	325,000
Government Reimbursements	556,828	151,992	-
Interest and Investment Income	4,048	3,497	1,356
<b>Total General Fund Revenues</b>	<b><u>\$2,578,607</u></b>	<b><u>\$2,846,613</u></b>	<b><u>\$2,701,299</u></b>

The primary source of revenue in the authority's General Fund was funding provided by the Connecticut Department of Transportation and the City of New Haven, and revenues received from Concessions, Fees and Rentals. The decrease in General Fund revenues was partly due to a reduction in the City of New Haven subsidy. During fiscal year 2010, Government Reimbursements were \$151,992. The Federal Aviation Administration approved the use of previously restricted funds for specific capital projects. For fiscal year 2011, Government Reimbursements consisted solely of payments received from the FAA to reimburse the authority for capital project costs paid in prior years. These reimbursements were accounted for in the Restricted Capital Projects Fund.

During the fiscal years ended June 30, 2010 and 2011, total expenses of the authority's General Fund totaled \$2,915,374 and \$2,983,876, respectively, as summarized below with the fiscal year ended June 30, 2009, 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:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
<b>Authority Expenses:</b>			
Management and Performance Fees	\$ 225,104	\$ 347,781	\$ 238,812
Authority Management	178,606	184,331	189,575
Professional Fees	56,402	221,405	160,056
Marketing and Promotional Expenses	189,188	79,522	129,700
AvPorts ASD Fund	-	-	119,405
<b>Airport Operations:</b>			
Salaries and Benefits	988,145	1,088,107	1,141,736
Maintenance	223,608	212,490	220,629
Utilities	231,562	310,179	355,388
Security	202,555	89,718	123,366
Administration and Office Expenses	41,606	317,036	121,401
Bad Debts	48,082	-	112,063
Insurance	42,399	64,805	71,745
<b>Total Expenses</b>	<b><u>\$2,427,257</u></b>	<b><u>\$2,915,374</u></b>	<b><u>\$2,983,876</u></b>

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 \$488,117 during the fiscal year ending June 30, 2010, and increased by \$68,502 during the fiscal year ending June 30, 2011. The increase in the 2009-2010 fiscal year was primarily attributable to increases in professional fees, salaries and benefits and administration expenses. The increase from the 2009-2010 fiscal year to the 2010-2011 fiscal year was primarily attributable to higher maintenance and utility costs, security and insurance expenses as well as the write-off of uncollectable items from prior fiscal years.

The fund balance of the authority's General Fund decreased in both the 2009-2010 and 2010-2011 fiscal years. A summary of the changes in the General Fund balance for the fiscal years ended June 30, 2010 and 2011 follows with the fiscal year ended June 30, 2009, presented for comparative purposes. The information was obtained from the authority's audited financial statements:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
Revenues	\$ 2,578,607	\$ 2,846,613	\$ 2,701,299
Expenses	<u>2,427,257</u>	<u>2,915,374</u>	<u>2,983,876</u>
Excess of Revenues over Expenses	151,350	(68,761)	(282,577)
Fund Balance, Beginning of Year	644,161	476,086	30,640
Inter-fund Transfers	<u>(319,425)</u>	<u>(376,685)</u>	<u>(101,045)</u>
<b>Fund Balance, End of Year</b>	<b><u>\$ 476,086</u></b>	<b><u>\$ 30,640</u></b>	<b><u>\$ (352,982)</u></b>

As noted above, fund balances in the authority's General Fund decreased by \$445,446 and \$383,622 during the fiscal years ended June 30, 2010 and 2011, respectively. This lack of profitability during the audited period was partly attributable to the inability of the authority to secure additional carriers for the airport. If the authority is unable to secure additional sources of revenue, as operating expenses continue to increase, it is likely that the authority will need to rely more heavily on government subsidies in order to avoid future operating deficits.

Inter-fund transfers during fiscal years 2010 and 2011 were 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, 2011, 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 earlier 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, 2010 and 2011, the fund's revenues totaled \$131,252 and \$186,836, respectively. Revenue consisted of passenger facility charges and interest and investment income. There were expenditures of \$184,021 and \$92,525 made from the fund during the 2009-2010 and 2010-2011 fiscal years, respectively. As of June 30, 2011, the fund had a restricted fund balance of \$114,070.

**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. During the fiscal years ended June 30, 2010 and 2011, the fund's revenues totaled \$52,590 and \$293,469, respectively. There were expenditures of \$329,971 and \$381,373 made from the fund during the 2009-2010 and 2010-2011 fiscal years, respectively. There were also net transfers from the General Fund totaling \$376,685 and \$101,045 during the 2009-2010 and 2010-2011 fiscal years, respectively. As of June 30, 2011, the fund had a restricted fund balance of \$690,516.

**Other State Financial Assistance:**

In addition to the State of Connecticut operating subsidies of \$1,425,000 and \$1,500,000 provided to the authority in the 2009-2010 and 2010-2011 fiscal years, respectively, the authority also received project expenditure reimbursements from the Department of Transportation

totaling \$654,237 and \$74,919 in the 2009-2010 and 2010-2011 fiscal years, respectively. State funds were authorized under Public Act 09-2 of the September Special Session, and include general aviation improvements. A specific authorization of \$1,055,000 for the state's share of the cost of the airport's runway safety area was authorized with Public Act 07-7 of the June Special Session.

**CONDITION OF RECORDS**

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

**RECOMMENDATIONS**

*Status of Prior Audit Recommendations:*

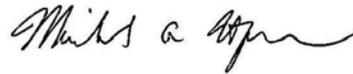
There were no recommendations presented in our prior report.

*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 A. Haynes  
Auditor 2

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert M. Ward  
Auditor of Public Accounts