

STATE OF CONNECTICUT



*AUDITORS' REPORT
TWEED-NEW HAVEN AIRPORT AUTHORITY
FOR THE FISCAL YEARS ENDED
JUNE 30, 2012, 2013 AND 2014*

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

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AUDITORS OF PUBLIC ACCOUNTS

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January 21, 2016

AUDITORS' REPORT TWEED-NEW HAVEN AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2012, 2013 and 2014

We have audited certain operations of the Tweed-New Haven Airport Authority in fulfillment of our duties under Sections 15-120o(c) and 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to; the years ended June 30, 2012, 2013 and 2014. The objectives of our audit were to:

1. Evaluate the authority's internal controls over significant management and financial functions;
2. Evaluate the authority's compliance with policies and procedures internal to the authority or promulgated by other state agencies, as well as certain legal provisions, including but not limited to 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, grants and other financial assistance, as applicable; and
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the authority; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment,

we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the authority's audited financial statements.

For the areas audited, we identified:

1. No deficiencies in internal controls;
2. No apparent noncompliance with legal provisions; and
3. No need for improvement in management practices and procedures that we deemed to be reportable.

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.

According to Section 15-120i subsection (b) of the General Statutes, the authority shall be governed by a board of directors consisting of fifteen members, each member serving not more than two consecutive four-year terms. The number of members to be appointed by each appointing authority is as follows: eight by the mayor of New Haven; five by the mayor of East Haven; and 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 15-120i subsection (g) of the General Statutes. No bonds have been issued by the authority.

As of June 30, 2014, the members of the authority's board of directors were as follows:

Appointed by New Haven	Appointed by East Haven	Appointed by South Central Regional Council of Governments
Kevin Arnold	Daniel Adams	Hon. Thomas Scarpati
Rich Jacob	Paul Constantinople, Jr	*One Vacancy
Matthew Nemerson	Paul Constantinople	
Vin Petrini	Karen O'Connell	
Michael Piscitelli	*One Vacancy	
Mark Volchek		
Gerald T. Weiner		
*One Vacancy		

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

Bruce Alexander
Steven Angeletti
Linda Balzano
Eugene W. Harris
Jim Krebs
Peter G. Leonardi
Kelly Murphy
Louis Pane, Sr

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. Subsequent to the audited period; John Picard replaced Mark Volchek as chairperson on October 14, 2014.

Staff of the authority includes Susan Godshall, who served as administrative director until her retirement, effective November 14, 2014. Tim Larson was hired as executive director, effective February 5, 2008, and continues to serve in this capacity. Lori Hoffman-Soares served

as airport manager from May 1, 2008 through January 7, 2014. Assistant Airport Manager, Diane Jackson served as interim Airport Manager from January 7, 2014 until being promoted to Airport Manager, effective June 21, 2014. Ms. Jackson 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 Tweed-New Haven 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. The monies in this fund are restricted to capital project use.

Financial and Compliance Audits

We have relied on the financial and compliance audits of the authority conducted by independent public accountants covering the 2012, 2013 and 2014 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, 2012, 2013 and 2014, totaled \$2,647,391, \$2,666,784 and \$2,679,020, respectively, and are summarized below with the fiscal year ended June 30, 2011, presented for comparative purposes. The information was obtained from the authority's audited financial statements:

	Fiscal Year Ended June 30,			
	2011	2012	2013	2014
Revenues:				
State of Connecticut Subsidy	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Concessions, Fees and Rentals	874,943	822,172	841,598	853,767
City of New Haven Funding	325,000	325,000	325,000	325,000
Interest and Investment Income	1,356	219	186	253
Total General Fund Revenues	\$2,701,299	\$2,647,391	\$2,666,784	\$2,679,020

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. The increase in General Fund revenues was due to an increase in revenues received from Concessions, Fees and Rentals.

During the fiscal years ended June 30, 2012, 2013 and 2014, total expenses of the authority's General Fund totaled \$2,705,920, \$2,885,073 and \$2,795,467, respectively, as summarized below with the fiscal year ended June 30, 2011, 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:

	Fiscal Year Ended June 30,			
	2011	2012	2013	2014
Authority Expenses:				
Management and Performance Fees	\$ 238,812	\$ 245,979	\$ 253,358	\$ 247,910
Authority Management	189,575	167,640	176,514	186,581
Professional Fees	160,056	172,017	251,883	157,734
Marketing and Promotional	129,700	93,204	90,914	21,389
AvPorts ASD Fund	119,405	122,987	126,677	90,477
Airport Operations:				
Salaries and Benefits	1,141,736	1,184,729	1,243,384	1,211,439
Maintenance	220,629	191,281	135,065	211,119
Utilities	355,388	286,415	148,014	121,420
Security	123,366	7,029	4,177	4,058
Administration and Office and Marketing Expenses	121,401	167,853	379,351	492,361
Bad Debts	112,063	(2,025)	3,714	1,783
Insurance	71,745	68,811	72,022	49,196
Total Expenses	\$2,983,876	\$2,705,920	\$2,885,073	\$2,795,467

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 decreased by \$277,956 during the fiscal year ending June 30, 2012, increased by \$179,153 during the fiscal year ending June 30, 2013, and decreased by \$89,606 during fiscal year 2014. The decrease in the 2011-2012 fiscal year was primarily attributable to lower marketing and promotional expenses, maintenance, utilities, and security expenses. The increase from the 2011-2012 fiscal year to the 2012-2013 fiscal year was primarily attributable to higher management and performance fees, authority management expenses, and professional fees. The decrease from the 2012-2013 fiscal year to the 2013-2014 fiscal year was primarily attributable to lower professional fees, marketing and promotional expenses, as well as lower utility expenses. In addition, expenditures from the AvPorts ASD fund were reduced as a budgetary control measure.

The fund balance of the authority's General Fund decreased in each of the 2011-2012, 2012-2013 and 2013-2014 fiscal years. A summary of the changes in the General Fund balance for the fiscal years ended June 30, 2012, 2013 and 2014 follows with the fiscal year ended June 30, 2011, presented for comparative purposes. The information was obtained from the authority's audited financial statements:

	Fiscal Year Ended June 30,			
	2011	2012	2013	2014
Revenues	\$ 2,701,299	\$ 2,647,391	\$ 2,666,784	\$ 2,679,020
Expenses	\$ 2,983,876	\$ 2,705,920	\$ 2,885,073	\$ 2,795,467
Excess Revenue over Expenses	(282,577)	(58,529)	(218,289)	(116,447)
Fund Balance, Beginning of Year	30,640	(352,982)	(411,511)	(629,800)
Inter-fund Transfers	(101,045)			
Fund Balance, End of Year	\$ (352,982)	\$ (411,511)	\$ (629,800)	\$ (746,247)

As noted above, fund balances in the authority's General Fund decreased by \$58,529, \$281,289, and \$116,447 during the fiscal years ended June 30, 2012, 2013 and 2014, 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, it is likely that the authority will need to rely more heavily on government subsidies in order to avoid future operating deficits.

In the Notes to the Financial Statements, it is indicated that the fair market value of identifiable tangible property as of June 30, 2014, 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, 2012, 2013 and 2014, the fund's revenues totaled \$166,762, \$176,291 and \$138,152, respectively. Revenue consisted of passenger facility charges and interest and investment income. There were expenditures of \$30 and \$232,553 made from the fund during the 2011-2012 and 2012-2013 fiscal years, respectively. There were no expenditures during the fiscal year 2013-2014. As of June 30, 2014, the fund had a restricted fund balance of \$362,693.

Restricted Capital Project Fund

The authority created this fund 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, 2012, 2013 and 2014, the fund's revenues totaled \$2,307,033, \$876,201 and \$56,567, respectively. There were expenditures of \$887,594, \$227,964 and \$412,443 made from the fund during the 2011-2012, 2012-2013 and 2013-2014 fiscal years, respectively. There was a fund transfer from the General Fund totaling \$101,045 during the 2011-2012 fiscal year. As of June 30, 2014, the fund had a restricted fund balance of \$2,402,316.

Other State Financial Assistance

In addition to the State of Connecticut operating subsidies of \$1,500,000 provided to the authority in the 2011-2012, 2012-2013 and 2013-2014 fiscal years, respectively, the authority also received project expenditure reimbursements from the Department of Transportation totaling \$35,043, \$31,645, and 194,752 in the 2011-2012, 2012-2013 and 2013-2014 fiscal years, respectively. State funds were authorized under Public Acts 11-57 and 13-239, and include development and improvement of general aviation airport facilities, including grants-in-aid to municipal airports, excluding Bradley International Airport general aviation improvements.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

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

RECOMMENDATIONS

Status of Prior Audit Recommendations:

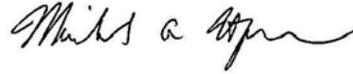
There were no recommendations presented in our prior report.

Current Recommendations:

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

CONCLUSION

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



Michael A Haynes
Auditor II

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts