

NEW HAVEN PORT AUTHORITY

2009 AUDIT RESULTS

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**NEW HAVEN PORT AUTHORITY
2009 AUDIT RESULTS
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NEW HAVEN PORT AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NEW HAVEN PORT AUTHORITY

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JUNE 30, 2009 AND 2008

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T. M. BYXBEE COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
New Haven Port Authority

We have audited the accompanying financial statements of the New Haven Port Authority (the "Authority") as of and for the year ended June 30, 2009 and the period January 15, 2008 (inception) through June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the year ended June 30, 2009 and the initial period ending June 30, 2008 in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Hamden, Connecticut
October 26, 2009

**NEW HAVEN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

JUNE 30, 2009

The Management's Discussion and Analysis of the New Haven Port Authority's (the Authority) financial performance provides an overall review of the Authority's financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at the Authority's financial performance.

These financial statements have been prepared using the requirements stipulated by the Governmental Accounting Standards Board, Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* ("GASB 34"). Under GASB 34, the Authority is considered a special purpose government engaged in a business-type activity. As such, the Authority uses the economic resources measurement focus and accrual basis of accounting.

Financial Highlights:

- Total assets at June 30, 2009 were \$300,229, of which \$271,217 were considered current assets.
- The Authority's total liabilities were \$2,134, all of which are classified as current liabilities.
- Unrestricted net assets were \$298,095, an increase of \$50,792.
- The Authority's revenues total \$132,716, an increase of \$83,269. The increase is attributable to the fact that 2009 was the Authority's first full year of operations. Expenses for the year ended June 30, 2009 totaled \$83,861 resulting in net operating income of \$48,855. Operating income increased by \$30,392

The following financial statements are presented:

The statement of net assets presents the financial position of the Authority as of a specific date. It provides information about the nature and amounts of resources (assets), obligations (liabilities) and net assets.

The statement of revenue, expenses and changes in net assets present changes in net assets (revenue and expenses) over the course of the year. This statement measures the Authority's profitability and success in funding its expenses through user charges.

The statement of cash flows presents the cash activities of the Authority segregated by three major cash flow categories: operating activities, capital and related financing activities and investing activities. This statement may be useful in determining changes in the liquidity of the Authority and in understanding how cash and cash equivalents were used during the year.

Conditions, Facts or Decisions That Will Affect the District's Financial Position:

During the year ended June 30, 2009, the twelve acres of land known as East Shore Parkway was subdivided into five parcels, and three License Agreements were executed for these parcels; two to terminals for the storage of bulk, break bulk and project cargo and the third to an abutting business for customer and employee parking. The proceeds from these license agreements represented over 98 percent of Port Authority's revenue. Additional revenue was realized from interest income and the sale of a construction easement to the State of Connecticut's Department of Transportation. The easement was granted to provide a traffic detour while a rail crossing was being constructed in Waterfront Street at the south gate of New Haven Terminal making way for the installation of the first new rail siding on terminal property at 100 Waterfront Street.

**NEW HAVEN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

JUNE 30, 2009

This past year saw two successful collaborations with the City of New Haven in securing grant funds for projects within the port district. The first is an EPA grant to reduce diesel emissions for which the City received \$380,000 to construct a truck electrification area on Port Authority property. The second is a Port Security grant through FEMA which was applied for in June and will provide improved surveillance through the placement of cameras and lighting within the district.

Staff has worked with the Army Corps of Engineers to advance the maintenance dredge of the Federal Channel in New Haven harbor and efforts have been made to increase the scope of the project to include the channel north of the Tomlinson Bridge. We continue to pursue the reconstruction of Waterfront Street and to identify funding opportunities to undertake that as well as other infrastructure improvements to both public and private property within the district. A prospective funding source for port infrastructure projects is the American Recovery and Reinvestment Act. USDOT has \$1.5 billion available through its TIGER (Transportation Investment Generating Economic Recovery) Discretionary Grant Program and NHPA has submitted an application for \$41.2 million to fund the following projects: reconstruction of Waterfront Street, rail sidings at two private terminals, pipe line connections to transport renewable fuel products; bulkhead improvements and dredging; equipment purchases to facilitate the movement of containerized cargo and the construction of a warehouse on East Shore Parkway. The aforementioned projects are all consistent with the objectives identified in the Strategic Land Use Plan adopted in 2007 and the proposed intermodal connections should improve the efficiency in handling freight at the port. Notification of awards will be made some time in January 2010 and all projects must either be completed or substantially underway by February 2012.

Over the past year we have increased our participation in organizations that share our interest in improving and preserving the deep water ports and the maritime industry; namely the North Atlantic Port's Association (Transportation Committee Member); Connecticut Maritime Coalition (non-voting member of board); and the Connecticut Maritime Commission, part of the Connecticut Department of Transportation. with respect to the on-going I-95 construction project. We have also reached out to other state agencies that we believe could be helpful to the continued growth of the port. The Authority has membership and/or participates in three organizations whose focus is on issues that we consider fundamental to the ongoing health and growth of the maritime industry; namely dredging and intermodal transportation. Those organizations are the North Atlantic Port's Association, the Connecticut Maritime Coalition and the Connecticut Maritime Commission. Another strategy identified in that Plan was to develop a marketing campaign for the Port of New Haven. To that end, the Authority has joined the Greater New Haven Chamber of Commerce; and has recently published a request for proposals for a website consultant to develop a site that will not only provide information about the New Haven Port Authority but will also establish links to businesses within the port district.

We look to provide a greater awareness of the unique resource the Port of New Haven presents - a deep water port located at the key juncture of I-95 and I-91 and once again with a rail connection. We will continue to seek opportunities to improve the infrastructure and security within the port district and remain interested in increasing the land area owned by the Authority to restrict for maritime use.

NEW HAVEN PORT AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 253,632	\$ 206,378
Accounts Receivable	8,615	-
Due from the City of New Haven	-	13,064
Prepaid Expenses	<u>8,970</u>	<u>9,537</u>
Total Current Assets	<u>271,217</u>	<u>228,979</u>
LAND (NOTE 4)	<u>29,012</u>	<u>29,012</u>
TOTAL	<u>\$ 300,229</u>	<u>\$ 257,991</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,134	\$ 10,688
Total Current Liabilities	<u>2,134</u>	<u>10,688</u>
NET ASSETS		
Invested in Capital Assets	29,012	29,012
Unrestricted	<u>269,083</u>	<u>218,291</u>
Total Net Assets	<u>298,095</u>	<u>247,303</u>
TOTAL	<u>\$ 300,229</u>	<u>\$ 257,991</u>

See notes to financial statements.

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NEW HAVEN PORT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED JUNE 30, 2009 AND
FOR THE PERIOD JANUARY 15, 2008 (INCEPTION) THROUGH JUNE 30, 2008**

	<u>2009</u>	<u>2008</u>
REVENUES		
License Fees	\$ 130,091	\$ 40,047
Sale of Easement Rights	<u>2,625</u>	<u>9,400</u>
Total Revenues	<u>132,716</u>	<u>49,447</u>
EXPENSES		
Payroll	45,450	13,500
Payroll Taxes	3,960	1,362
Insurance	14,671	5,601
Legal Fees	7,183	4,910
Professional Fees	7,277	4,700
Dues and Subscriptions	3,145	155
Travel	1,204	-
Miscellaneous	<u>971</u>	<u>756</u>
Total Expenses	<u>83,861</u>	<u>30,984</u>
OPERATING INCOME	<u>48,855</u>	<u>18,463</u>
NON-OPERATING REVENUES		
Interest Income	<u>1,937</u>	<u>1,500</u>
Total Non-Operating Revenues	<u>1,937</u>	<u>1,500</u>
CHANGE IN NET ASSETS	50,792	19,963
CAPITAL CONTRIBUTION	-	227,340
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>247,303</u>	<u>-</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 298,095</u>	<u>\$ 247,303</u>

See notes to financial statements.

NEW HAVEN PORT AUTHORITY

STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED JUNE 30, 2009 AND
FOR THE PERIOD JANUARY 15, 2008 (INCEPTION) THROUGH JUNE 30, 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATIONS		
Receipts from License Agreements	\$ 128,151	\$ 33,372
Sale of Easement Rights	2,625	9,400
Payments to Suppliers	(42,888)	(15,871)
Payments to Employees	(48,960)	(13,962)
Net Cash Provided By Operations	<u>38,928</u>	<u>12,939</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Land Acquisition Costs	-	(29,012)
Capital Contribution	<u>6,389</u>	<u>220,951</u>
Net Cash Provided By Capital and Related Financing Activities	<u>6,389</u>	<u>191,939</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>1,937</u>	<u>1,500</u>
Net Cash Provided By Investing Activity	<u>1,937</u>	<u>1,500</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,254	206,378
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>206,378</u>	<u>-</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 253,632</u>	<u>\$ 206,378</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 48,855	\$ 18,463
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
Change in Assets and Liabilities:		
Decrease (Increase) in License Fee Receivable	(8,615)	-
Decrease (Increase) in License Fee Receivable (Due from City of New Haven)	6,675	(6,675)
Decrease (Increase) in Prepaid Expenses	567	(9,537)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(8,554)	10,688
Net Cash Provided By Operating Activities	<u>\$ 38,928</u>	<u>\$ 12,939</u>

See notes to financial statements.

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NEW HAVEN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework and the more significant principles and practices of the New Haven Port Authority (the “Authority”) are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Authority’s financial activities.

On May 6, 2002, section 7-329b of the Connecticut General Statutes amended the term “port authority” to include the New Haven Port Authority. This act of the General Assembly provided the enabling legislation for the City of New Haven (the “City”) to establish the New Haven Port Authority. On February 3, 2003, the New Haven Board of Aldermen adopted an ordinance creating the Port Authority for the purpose of developing, operating, and serving as an advocate for the port community and district within the City. The Authority is a component unit of the City of New Haven. The Authority commenced independent operations January 2008 upon the receipt of 14.3 acres of land known as East Shore Parkway and cash from the City. See Note 6, Capital Contribution and Related Parties.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) and apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The Authority also has the option to follow subsequent FASB guidance subject to the same limitations and elects to do so.

The financial statements are reported using the economic measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Revenue and Expense Classification

The Authority distinguishes operating revenue and expenses from nonoperating revenue and expenses in its statement of revenues, expenses, and changes in net assets. Operating revenue consists of those revenues earned from license fees associated with the leasing of land within the port district. Operating expenses relate to the cost associated with administering, operating, and developing the port district in connection with its daily operations.

Cash and Cash Equivalents

Cash consists of monies held in checking accounts. Cash equivalents are comprised of money market funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NEW HAVEN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2009, cash and cash equivalents totaled \$253,632 of which \$203,509 are considered to be cash equivalents which were invested solely in a money market account. The Authority's bank; Citizens Bank, is a participant in the FDIC's Transaction Account Guarantee Program ("TAGP"). Under that program all non-interest bearing transaction accounts are fully insured by the FDIC. Coverage under the TAGP is in addition to and separate from the \$250,000 deposit insurance otherwise provided by the FDIC. At June 30, 2009, in addition to the money market account referred to above, the Authority's balance in a non-interest bearing checking account was \$50,123 and therefore all of the Authority's bank balances were insured at June 30, 2009.

During 2009, the Authority entered into a third party custodial agreement with Citizens Bank and the Bank of New York acting as custodian. The agreement collateralizes 102% of any uninsured deposits held by Citizens Bank.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable include amounts due from licenses for the monthly use of certain premises. The Authority uses the reserve for bad debt method of valuing doubtful accounts receivable which is based on historical experience and reviews of the existing receivables. Management has determined that all receivables are fully collectible; therefore no allowance for uncollectible accounts has been recorded in the accompanying financial statements.

NOTE 4 – LAND

There was no carrying value related to the land received from the City consistent with the City's accounting. Capitalized costs related to the land of \$29,012 are various legal and engineering fees paid by the Authority.

NOTE 5 – COMMITMENTS

The Authority, as owner, or in its capacity as agent for the City, is also the lessor under the terms of various license agreements on property owned by the Authority. Such licenses relate to the rental of certain land parcels located in the port district. Leasing arrangements require monthly license fee payments and include terms ranging from one to five years.

A schedule as of June 30, 2009 of minimum future rentals for the next five years on noncancelable license agreements where the Authority, as owner, is the licensor, is summarized as follows:

2010	\$142,620
2011	75,870
2012	74,520
2013	74,520
2014	<u>18,630</u>
Total	<u>\$386,160</u>

NEW HAVEN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 6 – CAPITAL CONTRIBUTION AND RELATED PARTIES

On January 15, 2008, the City conveyed approximately 14.3 acres of land known as East Shore Parkway via quit claim deed to the Authority. In addition, the City also made a capital contribution of cash in the amount of \$227,340.

The ordinance establishing the Port Authority for the City of New Haven provides for, among other things, that the Authority will assess a payment in lieu of taxes (PILOT) payable to the City on profit-making leases of all otherwise taxable property owned by the Port Authority. In addition, the Authority shall pay a PILOT to the City, in accordance with section 7-329u of the Connecticut General Statutes, in such an amount to be established should the Authority become profitable. In no case, however, shall any payment be made unless the Authority has sufficient funds to make such payment and to operate the Authority and maintain a reasonable reserve for necessary operating and/or capital expenditures.

The City provides computer equipment, telephone equipment, and office space to the Authority at no charge.

As of June 30, 2009, no amount was due from or to the City.

As of June 30, 2008, there was a receivable from the City due to the Authority in the amount of \$13,064.

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October 26, 2009

To the Board of Commissioners of
The New Haven Port Authority

In planning and performing our audit of the financial statements of the New Haven Port Authority (the "Authority") for the year ended June 30, 2009, we considered its internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 26, 2009 on the financial statements of the Authority.

We have already discussed these items with the Executive Director, and we will be pleased to discuss them in further detail at your convenience or perform additional study of these matters if requested.

The report is intended solely for the information and use of the Board of Commissioners, management, and others within the Authority.

T. M. Byxbee Company, P.C.

Management Letter Comments

Contract Administration

During our audit, we noted that following contract related issues:

- One licensee was several months past due on their rent. The license agreement allows for late fees and interest on past due accounts, however no fees or interest were charged. The Authority also incurred some legal costs associated with collection.
- A separate licensee signed an agreement which calls for a security deposit in the amount of one month's rent. To date, that deposit has not been received.
- It is our understanding that during the year ended June 30, 2009, the Executive Director's contract was renewed and she was granted two weeks of paid vacation. The contract is not supported by a signed document. We recommend that the Executive Director's contract be evidenced by a formal agreement that includes all significant terms, including:
 - Compensation
 - Term
 - Entitlement to paid time off
 - Unused paid time off policy

It is important to insure that all significant contractual agreements be supported by a signed contract. The Board should also be made aware of and approve any deviations from contractual terms. We recommend that existing contract administration procedures be reviewed and improved as necessary.

Executive Director Response

I have reviewed the findings in the Management Letter and want to assure you that I will work with the board to address and resolve the issues identified therein.

T. M. BYXBEE COMPANY, P.C.

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October 26, 2009

Board of Directors
New Haven Port Authority

We have audited the financial statements of New Haven Port Authority for the year ended June 30, 2009, and have issued our report thereon dated October 26, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 12, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 10, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the New Haven Port Authority are described in Note 1 to the financial statements. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant estimates at June 30, 2009.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Capital Contribution and Related Parties in Note 6 to the financial statements as it is needed for consolidation into the city-wide financial statements and discloses transactions occurring with the City.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule of *Adjusting Journal Entries* detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated October 26, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the New Haven Port Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Client: 132311 - New Haven Port Authority
 Engagement: New Haven Port Authority
 Trial Balance: TB
 Workpaper: 3700.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		4501		
To adjust prepaid expenses to actual at 6/30/09				
7000	Insurance		566.84	
1150	Prepaid Expenses			566.84
Total			566.84	566.84
Adjusting Journal Entries JE # 2		7201		
To adjust for py ap reversal adjusted twice				
7110	Legal		4,910.00	
3200	Retained Earnings			4,910.00
Total			4,910.00	4,910.00
Adjusting Journal Entries JE # 3		7205		
To adjust accrued wages				
6510	Wages-Executive Director		360.00	
6515	Wages-Other		89.60	
2100	Accrued Expenses			449.60
Total			449.60	449.60