

# **NEW HAVEN PORT AUTHORITY**

## **2010 AUDIT RESULTS**

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**NEW HAVEN PORT AUTHORITY  
2010 AUDIT RESULTS  
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**NEW HAVEN PORT AUTHORITY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**NEW HAVEN PORT AUTHORITY**

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**JUNE 30, 2010 AND 2009**

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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"), a component unit of the City of New Haven, as of and for the years ended June 30, 2010 and 2009, 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 provide 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended 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  
November 4, 2010

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

**JUNE 30, 2010 AND 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 years ended June 30, 2010 and 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, 2010 were \$344,992, of which \$315,980 were considered current assets.
- The Authority's total liabilities were \$7,026, all of which are classified as current liabilities.
- Unrestricted net assets were \$308,954, an increase of \$39,871.
- The Authority's revenues totaled \$142,620, an increase of \$9,904. All of the Authority's revenues for the year ended June 30, 2010 were from license fees associated with the leasing of land within the Port District. Expenses for the year ended June 30, 2010 totaled \$103,657 resulting in net operating income of \$38,963. Operating income decreased by \$9,892, largely due to the costs associated with applying for the TIGER Grant discussed herewith.

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:

In the first quarter of the year ended June 30, 2010, the Authority devoted considerable time and resources to the preparation of an application for a TIGER grant. The process involved identifying eligible projects and working with terminal owners and operators to develop the application that included the reconstruction of Waterfront Street, rail sidings, construction of pipe line connections to transport renewable fuel products, bulkhead improvements and dredging. The final application for \$41.2 million was submitted to USDOT and although we were unsuccessful in our bid for these funds, the application process itself demonstrated the tremendous need that exists for public and private partnerships to maintain the state of good repair and make infrastructure improvements that will ensure that the Port of New Haven remains competitive. Although initially disappointing,

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

**JUNE 30, 2010 AND 2009**

our failure to secure these funds has prompted discussions among the collaborators on this grant to look at other ways to achieve some of the goals articulated in the TIGER application, and we continue to research funding opportunities. The Authority also continues to work with several City departments on environmental and security issues, identifying programs and projects that will benefit the port district, including initiatives to improve air quality and others to enhance surveillance in the port district. The implementation and ultimate success of many of these programs and projects relies on the involvement of private terminals and businesses.

During this past fiscal year, The Authority continued to work with the Army Corps of Engineers on the maintenance dredge of the federal channel in New Haven Harbor. In support of the project, the Authority made a request, through Congresswoman DeLauro's office, for an appropriation of \$400,000 to fund the cost of the sampling and testing of dredge material in the channel. The appropriation was made, sampling occurred in August 2010 and test results are now being compiled. These test results will serve as the basis for Corp's Dredge Material Management Plan for this project that will identify the appropriate disposal site(s) and ultimately determine the cost of the project.

On a state-wide basis the Authority has been involved in a process to develop a Concept of Operations for port security at the three Group II Ports on Long Island Sound; namely, Bridgeport, New Haven and New London. This process has been facilitated by Coast Guard Long Island Sound as a result of the 2009 Port-Wide Strategic Risk Management/Mitigation Plan which encourages a collaborative approach in assessing infrastructure needs at these key ports. The Authority continues to work with the Connecticut Maritime Coalition ("CMC"), attending its monthly meetings and appearing, with members of CMC, before the Environment Committee of the Connecticut State Legislature last February to affirm the importance of the maritime industry to the State's economy, the need to maintain the depth of water at our commercial and recreational harbors and to identify obstacles that limit the dredging activities in these waters.

Management continues to represent the Authority as a member of the North Atlantic Ports Association ("NAPA"), serving on its Transportation Committee and named last December to its Board of Directors. This organization, along with the American Association of Port Authorities, provides timely information on topics that are important to all ports. In addition, NAPA presents an opportunity for peer discussion and advocacy on a range of issues including the Harbor Maintenance Tax, dredging, port security, environmental issues and mandates, including bilge water, diesel emissions, the marine highway, the relationship of freight rail and truck movement in an out of our ports, and the Jones Act to name a few.

On the horizon, work has begun on our website with a launch date scheduled for January 1, 2011. We look forward to continuing to work with local partners and those at the state and national level to insure the preservation of our deep water ports, but more specifically to see that the Federal Channel in New Haven Harbor is dredged and that the study required to deepen our channel is conducted.

#### Requests for Information

The financial report is designed to provide interested parties with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ms. Judi Sheiffele, Executive Direct, at New Haven City Hall, 165 Church Street, New Haven, Connecticut, 06510.

**NEW HAVEN PORT AUTHORITY**

**STATEMENTS OF NET ASSETS**

**JUNE 30, 2010 AND 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 293,617	\$ 253,632
Accounts Receivable	15,455	8,615
Prepaid Expenses	<u>6,908</u>	<u>8,970</u>
Total Current Assets	<u>315,980</u>	<u>271,217</u>
<b>LAND (NOTE 4)</b>	<u>29,012</u>	<u>29,012</u>
<b>TOTAL</b>	<u>\$ 344,992</u>	<u>\$ 300,229</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 2,026	\$ 2,134
Security Deposits	<u>5,000</u>	<u>-</u>
Total Current Liabilities	<u>7,026</u>	<u>2,134</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	29,012	29,012
Unrestricted	<u>308,954</u>	<u>269,083</u>
Total Net Assets	<u>337,966</u>	<u>298,095</u>
<b>TOTAL</b>	<u>\$ 344,992</u>	<u>\$ 300,229</u>

See notes to financial statements.



**NEW HAVEN PORT AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>		
License Fees	\$ 142,620	\$ 130,091
Sale of Easement Rights	-	2,625
Total Revenues	<u>142,620</u>	<u>132,716</u>
<b>EXPENSES</b>		
Payroll	51,903	45,450
Payroll Taxes	4,330	3,960
Insurance	12,865	14,671
Legal Fees	720	7,183
Professional Fees	25,329	7,277
Dues and Subscriptions	4,083	3,145
Travel	2,148	1,204
Miscellaneous	2,279	971
Total Expenses	<u>103,657</u>	<u>83,861</u>
<b>OPERATING INCOME</b>	<u>38,963</u>	<u>48,855</u>
<b>NON-OPERATING REVENUES</b>		
Interest Income	908	1,937
Total Non-Operating Revenues	<u>908</u>	<u>1,937</u>
<b>CHANGE IN NET ASSETS</b>	39,871	50,792
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>	<u>298,095</u>	<u>247,303</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u>\$ 337,966</u>	<u>\$ 298,095</u>

See notes to financial statements.

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**NEW HAVEN PORT AUTHORITY**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATIONS</b>		
Receipts from License Agreements	\$ 140,780	\$ 128,151
Sale of Easement Rights	-	2,625
Payments to Suppliers	(46,146)	(42,888)
Payments to Employees	(55,557)	(48,960)
Net Cash Provided By Operations	<u>39,077</u>	<u>38,928</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contribution	-	6,389
Net Cash Provided By Capital and Related Financing Activities	<u>-</u>	<u>6,389</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	908	1,937
Net Cash Provided By Investing Activity	<u>908</u>	<u>1,937</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	39,985	47,254
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>253,632</u>	<u>206,378</u>
<b>CASH AND CASH EQUIVALENTS- END OF YEAR</b>	<u>\$ 293,617</u>	<u>\$ 253,632</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 38,963	\$ 48,855
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
Change in Assets and Liabilities:		
Decrease (Increase) in License Fee Receivable	(6,840)	(8,615)
Decrease (Increase) in License Fee Receivable (Due from City of New Haven)	-	6,675
Decrease (Increase) in Prepaid Expenses	2,062	567
Increase (Decrease) in Accounts Payable and Accrued Expenses	4,892	(8,554)
Net Cash Provided By Operating Activities	<u>\$ 39,077</u>	<u>\$ 38,928</u>

See notes to financial statements.

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# NEW HAVEN PORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

### 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 costs 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, 2010 AND 2009**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Date of Management's Review

Subsequent events have been evaluated through November 4, 2010, which is the date the financial statements were available to be issued.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

At June 30, 2010, cash and cash equivalents totaled \$293,617 of which \$244,417 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, 2010, in addition to the money market account referred to above, the Authority's balance in a non-interest bearing checking account was \$49,200 and therefore all of the Authority's bank balances were insured at June 30, 2010.

The Authority entered into a third party custodial agreement with Citizens Bank in 2009 with 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, 2010 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:

2011	\$135,870
2012	74,520
2013	74,520
2014	<u>18,630</u>
Total	<u>\$303,540</u>

**NEW HAVEN PORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**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 be assessed 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.

No amounts were due to or from the City for the years ended June 30, 2010 and 2009.

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November 4, 2010

To the Board of Commissioners of the  
New Haven Port Authority

We have audited the financial statements of the New Haven Port Authority for the year ended June 30, 2010, and have issued our report thereon dated November 4, 2010. 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 September 16, 2010, 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.

## 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, 2010.

### *Difficulties Encountered in Performing the Audit*

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

### *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 November 4, 2010.

### *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 Commissioners 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,

T. M. Byrbee Company, P.C.

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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") as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency in internal control:

Management relies upon the auditor to prepare the financial statements in accordance with GAAP which includes preparing the notes to the financial statements.

Management does not have the knowledge of accounting principles to determine whether the disclosures are complete or the cash flow statement is properly prepared. The outsourcing of this service to the independent auditors is not unusual in organizations of your size and is a result of management's cost benefit decision to use our accounting expertise rather than incur internal resource costs.



In addition, we noted other matters, which came to our attention, while not control deficiencies, involve operational or administrative efficiencies. Our observations and recommendations regarding other matters which came to our attention are as follows:

- Our audit revealed that a licensee was several months past due on their rent. The license agreement permits late fee and interest charges to be assessed on past due accounts, however none were charged. We recommend that Management enforce the existing terms of the license agreement.
- It is our understanding that during the year ended June 30, 2010, the Executive Director's existing contract was renewed which included a grant for two weeks paid vacation. However, the contract renewal is not supported by a signed document. We recommend that the Executive Director's contract be supported by a written agreement that includes all significant terms, including, compensation, term, and paid time off entitlement. We also recommend that the Authority review and revise the Executive Director's job description, and also perform annual evaluations of the Executive Director's job performance.
- During our audit we noted that proper approvals were not obtained by the Executive Director for certain small dollar purchases. We recommend that the procurement policy should be reviewed for reasonableness of purchasing thresholds or that the existing policy be adhered to.
- The Authority's bank no longer provides cancelled checks with the monthly statements, nor does the bank scan copies of the front and back of the cancelled checks into the monthly bank statement. Alternatively, the bank permits access to copies of the checks online for a period of three months. We recommend the Authority print copies of the checks from the online statement to support its purchases, otherwise, find another bank which scans copies of both sides of the cancelled check into the monthly bank statement.

This communication is intended solely for the information and use of the Board of Commissioners and management, and is not intended to be and should not be used by anyone other than these specified parties.

*T. M. Byrbee Company, P.C.*

Hamden, Connecticut  
November 4, 2010