

NEW HAVEN PORT AUTHORITY

2011 AUDIT RESULTS

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NEW HAVEN PORT AUTHORITY
2011 AUDIT RESULTS
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NEW HAVEN PORT AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NEW HAVEN PORT AUTHORITY

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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, 2011 and 2010, 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, 2011 and 2010, 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.

T. M. Byxbee Company, P.C.

Hamden, Connecticut
October 6, 2011

**NEW HAVEN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2011**

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, 2011. 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, 2011 were \$402,709, of which \$373,697 were considered current assets.
- The Authority's total liabilities were \$8,704, all of which are classified as current liabilities.
- Unrestricted net assets were \$364,993, an increase of \$56,039.
- The Authority's revenues totaled \$143,295, an increase of \$675. All of the Authority's revenues for the year ended June 30, 2011 were from license fees associated with the leasing of land within the Port District. Expenses for the year ended June 30, 2011 totaled \$87,584 resulting in net operating income of \$55,711. Operating income increased by \$16,748.

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.

During the past year, the Authority collaborated with the City of New Haven (the "City") to help the City obtain and implement two federally funded grants. The first, an EPA grant designed to reduce diesel air emissions, funded a truck electrification area with fourteen stations providing an alternative for truckers to use electric power for heating and cooling their cabs eliminating the need to idle their trucks. The second project, made possible through a FEMA port security grant, provided funds to improve surveillance in the port district with the installation of flood lights on East Shore Parkway as well as cameras and improved street lighting throughout the district. A second FEMA port security grant has also been secured, providing resources to purchase a multi-purpose response vessel to be used by the City's fire and police departments.

**NEW HAVEN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2011**

In the summer of 2010, the Army Corps of Engineers undertook the sampling of dredge material from the federal channel at New Haven Harbor. This was required to determine the chemistry of the dredge material, and will serve as the basis for the Corp's Dredge Material Management Plan. The results of that testing concluded that the dredge material is suitable for open water disposal. In another Army Corps matter, the Authority voiced its opposition to the Corp's proposal to dispose of dredge material from Bridgeport harbor in Morris Cove.

The Authority supported a proposal by the New Jersey Department of Transportation that included the port of New Haven in its network of ports along the East Coast to move waterborne freight as part of Marine Highway Program, and also took a position in support of the creation of a state-wide port authority in Connecticut.

Of the three original license agreements for the East Shore Parkway land, Gateway continues to license Parcels A & B; New Haven Terminal now licenses Parcel C which had formerly been used by Coastline/Logistec; Colony Hardware has been occupying Parcel E on a month-to-month basis pending its relocation to River Street. During this past year, our website has been designed and is now fully operational, providing timely as well as historical information about the New Haven Port Authority and the port of New Haven.

The interests of the Authority and the marine-related businesses within the district continue to be represented by management at several forums, as a member of the Marine Group established for Long Island Sound and charged with implementing a Concept of Operations for port security; at monthly meetings of the Connecticut Maritime Coalition, the Connecticut Maritime Commission and the New Haven Petroleum Co-op. In addition, the Executive Director is a member of the board of directors of the North Atlantic Ports Association, where she also serves on its transportation committee.

On the horizon, we will continue to work with our local partners as well as those at the state and national level to insure the preservation of our deep water ports, and will advocate for the resources to maintain and improve the infrastructure at the port of New Haven.

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 Director, at New Haven City Hall, 165 Church Street, New Haven, Connecticut, 06510.

NEW HAVEN PORT AUTHORITY

STATEMENTS OF NET ASSETS

JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 365,143	\$ 293,617
Accounts Receivable	675	15,455
Prepaid Expenses	<u>7,879</u>	<u>6,908</u>
Total Current Assets	<u>373,697</u>	<u>315,980</u>
LAND (NOTE 4)	<u>29,012</u>	<u>29,012</u>
TOTAL	<u>\$ 402,709</u>	<u>\$ 344,992</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 3,704	\$ 2,026
Security Deposits	<u>5,000</u>	<u>5,000</u>
Total Current Liabilities	<u>8,704</u>	<u>7,026</u>
NET ASSETS		
Invested in Capital Assets	29,012	29,012
Unrestricted	164,993	308,954
Board Designated for Major Expenditures	<u>200,000</u>	<u>-</u>
Total Net Assets	<u>394,005</u>	<u>337,966</u>
TOTAL	<u>\$ 402,709</u>	<u>\$ 344,992</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
LICENSE FEE REVENUES	\$ <u>143,295</u>	\$ <u>142,620</u>
EXPENSES		
Payroll	51,295	51,903
Payroll Taxes	4,291	4,330
Utilities	956	-
Insurance	10,995	12,865
Legal Fees	3,343	720
Professional Fees	9,465	25,329
Dues and Subscriptions	4,648	4,083
Travel	1,555	2,148
Miscellaneous	1,036	2,279
Total Expenses	<u>87,584</u>	<u>103,657</u>
OPERATING INCOME	<u>55,711</u>	<u>38,963</u>
NON-OPERATING REVENUES		
Interest Income	328	908
Total Non-Operating Revenues	<u>328</u>	<u>908</u>
CHANGE IN NET ASSETS	56,039	39,871
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>337,966</u>	<u>298,095</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ <u>394,005</u></u>	<u>\$ <u>337,966</u></u>

See notes to financial statements.

NEW HAVEN PORT AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATIONS		
Receipts from License Agreements	\$ 158,075	\$ 140,780
Payments to Suppliers	(31,328)	(46,146)
Payments to Employees	(55,549)	(55,557)
Net Cash Provided By Operations	<u>71,198</u>	<u>39,077</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>328</u>	<u>908</u>
Net Cash Provided By Investing Activities	<u>328</u>	<u>908</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	71,526	39,985
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>293,617</u>	<u>253,632</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 365,143</u>	<u>\$ 293,617</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 55,711	\$ 38,963
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
Change in Assets and Liabilities:		
Decrease (Increase) in License Fee Receivable	14,780	(6,840)
Decrease (Increase) in Prepaid Expenses	(971)	2,062
Decrease in Accounts Payable and Accrued Expenses	1,678	4,892
Net Cash Provided By Operating Activities	<u>\$ 71,198</u>	<u>\$ 39,077</u>

See notes to financial statements.

NEW HAVEN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

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.

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, 2011 AND 2010

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

Date of Management's Review

Subsequent events have been evaluated through October 6, 2011, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2011, cash and cash equivalents totaled \$365,143 of which \$294,745 are considered to be cash equivalents which were invested solely in a money market account. As part of the Dodd-Frank Reform Act, interest bearing accounts are insured up to \$250,000 on a permanent basis, and non-interest bearing accounts will have unlimited insurance through December 31, 2012. The amount of bank deposits covered by federal depository insurance was \$320,398. The remaining bank balance of \$44,745 was uninsured.

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, 2011 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:

2012	\$136,920
2013	136,920
2014	81,030
2015	62,400
2016	<u>62,400</u>
Total	<u>\$479,670</u>

NEW HAVEN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 6 – RELATED PARTIES

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, 2011 and 2010.

NOTE 7 – NET ASSET DESIGNATION

On October 6, 2011, the Board of Commissioners approved a resolution designating \$200,000 of unrestricted net assets to be restricted for special projects including land acquisition or capital improvements within the port district.

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October 6, 2011

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, 2011, and have issued our report thereon dated October 6, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 16, 2011. Professional standards also require that we communicate to you the following information related to our audit.

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, 2011.

Difficulties Encountered in Performing the Audit

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

Corrected 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate.

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 6, 2011.

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. Bybee Company, P.C.

T. M. BYXBEE 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, 2011, 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:

As noted in the prior year, management relies upon the auditor to prepare financial statements in accordance with generally accepted accounting principles. Management does not have the knowledge of accounting principles to determine whether the disclosures are complete. The outsourcing of this service 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 another matter, which came to our attention, while not a control deficiency, involves operational or administrative efficiencies. Our observations and recommendations regarding the matter which came to our attention is as follows:

- During the fiscal year ended June 30, 2011, the Authority assumed responsibility to operate new truck electrification stations. We were provided no documentation on the agreement between the City and the Authority regarding the operation of the stations. We recommend the Authority obtain signed documentation that includes the following:
 - Ownership of the equipment
 - Responsibility for maintenance costs
 - Entitlement to revenues generated

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.