

NEW HAVEN PORT AUTHORITY

2013 AUDIT RESULTS

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NEW HAVEN PORT AUTHORITY
2013 AUDIT RESULTS
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NEW HAVEN PORT AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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, a component unit of the City of New Haven, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the New Haven Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the New Haven Port Authority as of June 30, 2013 and 2012, and the respective changes in financial position thereof or the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operating, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

T. M. Byrbee Company, P.C.

Hamden, Connecticut
November 7, 2013

NEW HAVEN PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2013 AND 2012

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, 2013. 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, 2013 were \$511,068, of which \$482,056 were considered current assets. Total assets increased by \$53,320 from 2012.
- The Authority's total liabilities were \$6,139, all of which are classified as current liabilities. An increase of \$3,624 from 2012.
- Unrestricted net assets were \$475,917 of which \$300,000 has been designated by the Board for major expenditures, an increase of \$49,696.
- The Authority's revenues totaled \$141,942, a decrease of \$6,327. All of the Authority's revenues for the year ended June 30, 2013 were from license fees associated with the leasing of land within the Port District. Expenses for the year ended June 30, 2013 totaled \$92,381 resulting in net operating income of \$49,561. Operating income decreased by \$11,490.

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 this past fiscal year there was progress made on several fronts that were discussed in the last report. Most anticipated was the Deep Water Port Strategy Study, which was released by the State of Connecticut in October of 2012. The consultants, Moffat & Nichol acknowledged that of the three deep water ports in Connecticut, New Haven "serves the strongest consumer market, has the most varied cargo mix and is the only port that has attracted significant private investment". Although the consultants did not identify any untapped markets to be served, it did conclude that New Haven should continue to expand those cargos that

NEW HAVEN PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2013 AND 2012

it currently handles. With respect to governance of the ports, the study recommended that the State create a state-wide port authority; and legislation to accomplish that was introduced in the 2012 Legislative Session. Although the State Senate unanimously adopted the bill, the House did not take any action and it failed. The legislation will be reintroduced at the next session.

In April, the City of New Haven took delivery of a multi-purpose response vessel that had been funded with a FEMA port security grant. The vessel is berthed at Long Wharf pier, providing an unobstructed view and easy accessibility to the commercial port. Since the boats arrival, selected fire and police personnel have been, and will continue to be, trained on the vessel.

The reconstruction of Waterfront Street commenced late summer of 2012. This project includes the installation of rail crossings that will provide rail connections to the four private terminals along Waterfront Street. There has been progress made on the sanitary sewer connections to Magellan and New Haven Terminals also serving Greenleaf Bio Fuels. The three parties, working together, designed and bid the project and work has been coordinated with the Waterfront Street project to maximize efficiency and keep costs in check.

The US Army Corps of Engineers (ACOE) had placed the maintenance dredge of the federal channel in New Haven in its 2014 budget, and through the efforts of Congresswoman DeLauro's office, the New Haven dredge project was included in the President's budget. That allowed the ACOE to develop the plans and specification for the project, and at this time all permits have been secured and the project is scheduled to start in November 2013 and run through May 2014.

The Port Authority found itself in the unenviable position to have to file appeal of the real property assessments that the City of New Haven had placed on four of its parcels within the port district. It should be noted that this was the only means to insure that the Port Authority could share information about our land that may or may not be reflected in the City's valuation. In anticipation of the closeout of the Harbor Crossing project, your Executive Director has met with representatives of the Connecticut Department of Transportation and its consultants to discuss the disposition of those properties that had been taken by the State, specifically for this project, but will remain once the project is complete.

The interests of the Port Authority and the marine-related businesses within the district continue to be represented by management in 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.

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.

NEW HAVEN PORT AUTHORITY

STATEMENTS OF NET ASSETS

JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 473,352	\$ 417,772
Accounts Receivable	1,665	3,024
Prepaid Expenses	<u>7,039</u>	<u>7,940</u>
Total Current Assets	<u>482,056</u>	<u>428,736</u>
LAND (NOTE 3)	<u>29,012</u>	<u>29,012</u>
TOTAL	<u>\$ 511,068</u>	<u>\$ 457,748</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 5,323	\$ 2,515
Fuel Assistance Deposits	<u>816</u>	<u>-</u>
Total Current Liabilities	<u>6,139</u>	<u>2,515</u>
NET ASSETS		
Invested in Capital Assets		
Unrestricted	29,012	29,012
Board Designated for Major Expenditures	175,917	176,221
Total Net Assets	<u>300,000</u>	<u>250,000</u>
TOTAL	<u>\$ 511,068</u>	<u>\$ 457,748</u>

The notes to the financial statements are an integral part of this statement.

NEW HAVEN PORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
LICENSE FEE REVENUES	<u>\$ 141,942</u>	<u>\$ 148,269</u>
EXPENSES		
Payroll	49,535	48,797
Payroll Taxes	4,158	4,083
Utilities	2,460	4,771
Insurance	12,054	11,981
Legal Fees	7,561	366
Other Professional Fees	7,869	9,313
Dues and Subscriptions	6,907	4,698
Travel	738	2,479
Miscellaneous	1,099	730
Total Expenses	<u>92,381</u>	<u>87,218</u>
OPERATING INCOME	<u>49,561</u>	<u>61,051</u>
NON-OPERATING REVENUES		
Interest Income	135	177
Total Non-Operating Revenues	<u>135</u>	<u>177</u>
CHANGE IN NET ASSETS	49,696	61,228
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>455,233</u>	<u>394,005</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 504,929</u>	<u>\$ 455,233</u>

The notes to the financial statements are an integral part of this statement.

NEW HAVEN PORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATIONS		
Receipts from License Agreements	\$ 143,301	\$ 140,920
Payments to Suppliers	(34,911)	(35,650)
Payments to Employees	(53,761)	(52,818)
Fuel Assistance Receipts, Net	816	-
Net Cash Provided By Operations	<u>55,445</u>	<u>52,452</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	135	177
Net Cash Provided By Investing Activities	<u>135</u>	<u>177</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	55,580	52,629
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>417,772</u>	<u>365,143</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 473,352</u>	<u>\$ 417,772</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 49,561	\$ 61,051
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
Change in Assets and Liabilities:		
Decrease (Increase) in License Fee Receivable	1,359	(2,349)
Decrease (Increase) in Prepaid Expenses	901	(61)
Increase (Decrease) in Accounts Payable and Accrued Expenses	2,808	(6,189)
Increase (Decrease) in Fuel Assistance Receipts, Net	816	-
Net Cash Provided By Operating Activities	<u>\$ 55,445</u>	<u>\$ 52,452</u>

The notes to the financial statements are an integral part of this statement.

NEW HAVEN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 of the Authority are reported using the economic resources 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.

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.

NEW HAVEN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Use of Estimates

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

Date of Management’s Review

Subsequent events have been evaluated through November 7, 2013, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following in the Statement of Net Assets at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Deposits	\$103,296	\$122,850
Money Market	<u>370,056</u>	<u>294,922</u>
	<u>\$473,352</u>	<u>\$417,772</u>

As of June 30, 2013, the carrying amount of the Authority’s cash and cash equivalents was \$473,352 with bank balances of \$474,246. The amount of bank balances covered under federal depository insurance was \$250,000. The remaining \$224,246 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 – 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 4 – 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.

NEW HAVEN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 4 – COMMITMENTS (CONTINUED)

A schedule as of June 30, 2013 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:

2014	
2015	\$143,196
2016	143,196
Total	<u>83,292</u> <u>\$369,684</u>

NOTE 5 – CONCENTRATIONS

For the years ended June 30, 2013 and 2012, two license holders accounted for 100% and 95% of the Authority's license fee revenues, respectively.

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.

During the year ended June 30, 2013, the City of New Haven's tax assessor assessed the value of land owned by the Authority. This assessment will be the basis for future pilot payments. The Authority disagreed with the valuation and has taken action against the City in order to appeal the assessment.

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, 2013 and 2012.

NOTE 7 – NET ASSET DESIGNATION

On November 7, 2013 and October 4, 2012, the Board of Commissioners approved resolutions designating \$50,000 and \$50,000 of unrestricted net assets to be restricted for special projects including land acquisition or capital improvements within the port district.

T. M. BYXBEE COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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November 7, 2013

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, 2013, and have issued our report thereon dated November 7, 2013. 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 June 25, 2013. 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, 2013.

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 November 7, 2013.

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.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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.