Minutes
January 24, 2023
Audit Committee

A. ROLL CALL

The meeting was called to order by Audit Committee Chair Cavanaugh at 9 a.m. in the General Aviation Terminal, Larson Conference Room. Also present were Committee members, Commissioner Burns and Commissioner Ruppert.

Staff and Authority Counsel present were Mr. Rozansky, Mr. Owens, Mr. Warriner, Ms. Sarcona, Ms. Menard.

B. PLEDGE OF ALLEGIANCE

Chair Cavanaugh led the Pledge of Allegiance.

C. AGENDA

Mr. Warriner reported that were no changes to the agenda.

D. PUBLIC COMMENTS (Public comments accepted for items not otherwise listed on the Agenda; 5 minute limit)

There were no public comments.

E. DISCUSSION ITEM

1. Fiscal Year 2022 Audit and Comprehensive Annual Financial Report

a. Financial Summary

Mr. Warriner, Senior Director of Finance and Administration made opening comments and requested Committee discussion and recommendation of acceptance of the FY 2022 Audit and Annual Comprehensive Financial Report. He introduced Mr. Jeff Wolf of MSL, PA, the Authority's auditor and stated that Mr. Wolf would be providing a brief presentation of the audit for the fiscal year ending September 30, 2022.

Mr. Wolf thanked the Committee members for allowing MSL to serve as the Authority's external auditors. He provided an overview of the auditor's required communications. He said that the auditor's responsibility was to perform an audit in accordance with governmental auditing standards and with generally accepted accounting practices (GAAP). He stated that airport management responsibilities were to prepare financial statements and set up internal controls that will provide reasonable assurance that the financial statements are materially correct. He said that MSL does test internal controls and compliance, but these tests are used to set up an audit plan and

not to provide an opinion on the internal controls. If, however, MSL found material weaknesses or significant deficiencies in this area, they would communicate those opinions to us. He said there were no significant matters in the current year but noted the terminology of operating leases was changed to regulated leases as required under the new GASB 87.

Mr. Wolf stated that there were no difficulties working with Mr. Warriner or his team. He said that they were great to work with and were cooperative.

He said that they complied with the audit schedule that was communicated in the audit engagement letter.

Mr. Wolf said that each year, they perform different procedures and incorporate unpredictability into the audit.

In the Independent Auditor's Report (pages 8-10), Mr. Wolf stated that they issued an unmodified opinion, which is the cleanest, highest opinion that can be received. On Internal Control Over Financial Reporting and on Compliance (pages 48-49), no issues or findings were noted. Mr. Wolf reported that we exceeded the $750,000 threshold on federal grant awards for the Airport Improvement Program, which triggered a federal Single Audit (page 50-56). It was audited for both internal controls and compliance. He said that there were no issues noted, and it was a clean Single Audit Report. He informed the Board that there were no findings noted in the Management Letter (pages 58-59) or in the Independent Accountant's Report (page 61).

Mr. Wolf provided a high-level financial overview of the Statement of Net Position (page 21) and the Statement of Revenues, Expenses and Changes in Net Position (page 22). Overall, he said it was a strong year financially and a clean audit.

A question-and-answer period followed.

In response to Commissioner Burns' question regarding internal control auditing, Mr. Warriner stated that the Audit Committee last May requested MSL to perform a deeper internal control review that included our new financial system after it was put in place. He said that this audit will be conducted by one of MSL's offices who have not been involved with our annual audit, and the results of that audit will be discussed at a future Audit Committee meeting. The internal control testing will be done in the May/June timeframe. Mr. Warriner noted that this initiative is included in our Strategic Plan Scorecard this year.

Commissioner Burns requested information on how fuel prices were determined. Since it is not related to the audit responsibilities, Chair Cavanaugh suggested that Commissioner Burns and Mr. Rozansky meet one-on-one at a separate time to discuss it. Mr. Rozansky said that he would be happy to meet with Commissioner Burns.

Chair Cavanaugh raised a question regarding the Board of Commissioners' obligations on the operation of the Authority's retirement plan. Mr. Wolf stated that GASB-97 addresses 457 Plans and Defined Contribution Plans, and there is no requirement to provide separate financial statements. Mr. Rozansky said that the Board of Commissioners adopted a Resolution several years ago delegating certain responsibilities for retirement plan administration to the Executive Director. He said that he would share the Resolution with the Board. He added that we have a third party administrator with Mission Square (formerly ICMA-RC) and an independent advisor for the selection of funds available to employees, at their election. He noted that these funds are reviewed on a quarterly basis with our retirement plan advisor, who is separate from our general investment advisor, John Grady.

Chair Cavanaugh commented that the insurance loss coming into 2023 is a significant unknown, and he was surprised there was not more verbiage around the contingency. Mr. Wolf stated that stronger language would be added to reflect that. Mr. Warriner noted that we are in an insurance pool with other governmental institutions and stated that our insurer, Public Risk Management (PRM), diversifies the risk by not taking several clients in one area. He said that they didn't breach the cap after Hurricane Ian, and staff feels comfortable about our insurable losses. He added that we have conducted interviews with two consultants to assist with our insurance and FEMA claims and are in the process of selecting one.

On page 14, there was discussion regarding the increases in total operating expenses from 2020 - 2022. Mr. Rozansky stated personnel needs are managed according to trends in activity. He said that during the height of the COVID pandemic, the NAA was unprepared for the growth in activity. Mr. Warriner stated that fuel sales increased from 8 million gallons in 2020 to 13.2 million gallons in 2022, with 2021 as a big transition year. Chair Cavanaugh requested a Board discussion about this at the February Board meeting. He said the number of gallons sold are not linear to our costs. He said that as a Commissioner, he was interested in running an efficient operation, which he thought was being done, but being mindful of costs is important. Commissioner Ruppert noted that inflation has been a big factor over the last two years and that personnel costs have gone up in both in terms of head count and cost per employee to catch up with growth. He commented that this year there were pay increases of approximately 10 percent whereas those increases did not occur two years ago.

Commissioner Ruppert moved Committee approval to recommend acceptance of the Fiscal Year 2022 Annual Audit and Annual Comprehensive Financial Report (Draft) and the revisions recommended in the Report as outlined today for the Board of Commissioners consideration at the February 16th Regular Meeting. Commissioner Burns seconded. The motion passed unanimously 3-0.

F. NEW BUSINESS

There was no new business.

G. PUBLIC COMMENTS

There were no public comments.

H. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/ MEETINGS

1. Upcoming Audit Committee Meetings

Mr. Warriner requested review of future Audit Committee dates and topics for the fiscal year. He said that over the past few years, the Audit Committee has had two meetings a year. At the May/June meeting, the Committee would review the NAA staff's performance review of the audit firm and consideration to approve the engagement letter for the upcoming fiscal year audit, so that interim work could begin in June or July. In addition, an engagement letter for the internal control review of the recently implemented financial system software would be presented for Committee consideration. Chair Cavanaugh suggested that a topic to discuss the IT roadmap be added as well.

There was a consensus to schedule a meeting for Tuesday, April 11th, at 1:30 p.m.

In order to review the outcome of the internal control testing of the financial software system, there was also a consensus to schedule an Audit Committee meeting on Thursday, August 17th, immediately following the Regular Meeting of the Board of Commissioners. Location of the meeting to be determined.

I. ADJOURN

With no further business, the meeting adjourned at 10:15 a.m.

Christopher A. Rozansky
Secretary

CITY OF NAPLES AIRPORT AUTHORITY (NAA)
Board of Commissioners
Notice of Audit Committee Meeting

FINAL AGENDA

General Aviation Terminal - Larson Conference Room, 2nd Floor
160 Aviation Drive North
Naples, FL 34102

Tuesday, January 24, 2023
9 a.m.

Commissioner Kerry C. Dustin – Chair
Commissioner Rick Ruppert – Vice Chair, Consultant Selection Committee Chair, Audit Committee Member
Commissioner Rita Cuddihy – NCC and TAC Liaison
Commissioner Robert P. Burns – Consultant Selection Committee Member, Audit Committee Member
Commissioner Terrence W. Cavanaugh – Audit Committee Chair
Executive Director: Christopher A. Rozansky
Authority Attorney: William L. Owens, Esq. of Bond, Schoeneck & King, PLLC

Welcome. If you wish to address the Audit Committee regarding an item listed on the Agenda, please complete a Speaker Registration form and hand it to the Executive Assistant prior to consideration of that item. We ask that speakers limit comments to 5 minutes and that large groups name a spokesperson whenever possible. All written, audio-visual, and other materials distributed to the Committee or staff during this meeting will become the property of NAA and will be a public record. Thank you for your interest and participation.

NOTICE

Formal action may be taken on any item listed on the Agenda below, or added to the Agenda before or during the meeting, or discussed during the meeting without being added to the Agenda. Also, the sequence of items may be changed as the meeting progresses.

Any person who decides to appeal a decision of this Committee with respect to any matter considered at this meeting (or hearing) will need a record of the proceeding and may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be heard.

Any person with a disability requiring auxiliary aids or services in order to participate in this proceeding for meetings at the City Council Chamber may call the City Clerk's Office at 213-1015, or for meetings at the Airport Office Building, the NAA Executive Assistant's Office at 643-0733, with requests at least two business days before the meeting.

Information on Action Items and other items which has been provided in advance of this meeting may be inspected at the office of the Executive Assistant, General Aviation Terminal Building, 2nd Floor, 160 Aviation Drive North. Minutes of this meeting will be prepared for Board approval, usually at the next Regular Meeting.

A. ROLL CALL

B. PLEDGE OF ALLEGIANCE

C. AGENDA (Add, delete or re-sequence items)

D. PUBLIC COMMENTS (Public comments accepted for items not otherwise listed on the Agenda; 5 minute limit)

E. DISCUSSION ITEM

1. Fiscal Year 2022 Audit and Annual Comprehensive Financial Report

    a. Financial Summary

F. NEW BUSINESS

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I. ADJOURN

Information on Discussion Items and other items which has been provided in advance of this meeting may be inspected at the office of the Executive Assistant, General Aviation Terminal Building, 2nd Floor, 160 Aviation Drive North. Minutes of this meeting will be prepared for Board approval, usually at the next Regular Meeting.

NOTE: The Audit Committee is comprised of Commissioner Cavanaugh (Chair), Commissioner Ruppert and Commissioner Burns (Members). All NAA Commissioners are welcome to attend and can "opt in" to participate.