Minutes
December 19, 2024
Audit Committee

A. ROLL CALL

The meeting was called to order by Audit Committee Chair Cavanaugh at 12:34 p.m. in the Naples City Council Chambers.

Also present were Committee Members: Commissioner Burns and Commissioner Dustin. Commissioner Crees and Commissioner Cuddihy were present, and both opted to participate and vote.

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

B. PLEDGE OF ALLEGIANCE

Chair Cavanaugh led the Pledge of Allegiance.

C. AGENDA

Mr. Warriner noted the following revisions:

Under Discussion Item 1, Fiscal Year 2024 Audit and Annual Comprehensive Financial Report (ACFR):

- The Schedule of Expenditures of Federal Awards, Notes to Schedule of Expenditures of Federal Awards, Schedule of Findings and Questioned Costs, and the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance were added to the ACFR.

- Copies of Mr. Jeff Wolf's presentation were provided to Committee members/Commissioners.

Under New Business, a new item, Item 1, Request for Proposal – Audit Services, was added to the agenda, and the briefing paper and accompanying documentation were distributed to Committee members/Commissioners.

These items will be included in the final Audit Committee packet.

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 2024 Audit and Comprehensive Annual Financial Report

Mr. Warriner made opening comments regarding the annual FY 2024 Audit and Comprehensive Report (ACFR). He requested Committee discussion and approval to present to the Board of Commissioners at the January 16, 2025, Regular Meeting. He introduced Mr. Jeff Wolf, MSL, PA, the Authority's auditor, to present the audit presentation.

Mr. Wolf thanked 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 would provide reasonable assurance that the financial statements are materially correct. He commented 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 in their report. He said there were no new standards that were applicable to the NAA. All transactions were recorded in the proper period, and there were no unrecorded transactions.

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. During the audit, there were no corrected or uncorrected misstatements, meaning the beginning trial balance was the same as the finished balance. Mr. Wolf said that at the end of the audit, MSL will request representation from management stating that the information provided was factual.

He said staff 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 47-48), no issues or findings were noted. Mr. Wolf reported that this year, the federal Single Audit (page 49-56) was still underway, and it was not part of the original draft. It will, however, be part of the final ACFR. No significant changes are anticipated. The FAA had one major program, the FAA Grant for the airport improvement program, for approximately $7 million. There was one finding related to the single audit, a significant deficiency related to prior grant expenditures. There was a finding last year with the matching that was fully resolved in the current year. Part of this year's audit noted that there were some expenditures in December 2023 that should have been included in the FY23 Schedule of

Expenditures of Federal Rewards, but due to reimbursement not completed until after the audit, those numbers were not recorded in FY23, they were recorded in FY24. No compliance issues were identified. He said the issue had been addressed for 2024, but because of the timing, the disclosure that there were amounts from the prior year, MSL thought there was a need to have the recommendation even though it related to the prior year. He stated there was an unmodified opinion on the grants in the single audit.

Mr. Wolf stated that the Management Letter (pages 50-52) required by the auditor general, discloses any financial emergencies or financial conditions related to the NAA or any other recommendations for improvements. There were no findings or other issues noted in that report. Lastly, no issues or findings were noted on the Independent Accountant's Report (page 53), which pertains to compliance of Florida Statues as it relates to investments.

Mr. Wolf presented a statement of the net position of the NAA. He stated that the next key piece would be unrestricted net position as a percentage of total operating expenses. Overall, he said the NAA is very consistent this year compared to last year. Looking at the Statement of Revenue, Expenses and Changes in Net Position, Mr. Wolf stated operating revenues were up compared to last year mainly because of more traffic, more operations, and an increase in fuel costs. He added that last year, the number was slightly less due to Hurricane Ian. Non-operating revenues in the prior year were related to insurance settlements. This year, most of the non-operating revenue was from investment income returns. Total expenses were up approximately $5 million, mostly due to increased personnel and benefit costs. Mr. Wolf said overall, the takeaway was very consistent with the previous year and a strong year financially.

Mr. Wolf shared that as of November 1, 2024, MSL has joined Forvis Mazars, and this will be one of the last reports issued under MSL. He provided some history of the Forvis Mazars company. They are a top 10 professional services firm operating in over 100 countries and territories and the 8th largest CPA firm in the country with an extensive government and airport client base.

A question-and-answer period followed.

Regarding the single audit, Chair Cavanaugh commented that it was important to recognize from a general ledger perspective that the NAA was capturing everything, but there was an error in terms of timing. He noted it was several disbursements related to a single grant. Mr. Wolf affirmed and said it was related to the airport improvement grant and a couple of contractors getting their invoices in very late, but the amounts were accrued on the general ledger and the revenue was not recognized until FY 2024. Mr. Wolf reiterated that there was no issue on how the funds were spent and was an unmodified opinion as to the compliance requirements.

Mr. Warriner stated that corrections had been made and offered to answer any additional questions. He stated the final report would be issued for the January meeting.

Commissioner Dustin moved Committee approval to recommend acceptance of the Fiscal Year 2024 Annual Audit and Comprehensive Financial Report (Draft) for the Board's consideration at their next Regular Meeting. Commissioner Cuddihy seconded. The motion passed unanimously 5-0.

F. NEW BUSINESS

1. Request for Proposal for Audit Services

Mr. Warriner stated that staff would need Committee guidance regarding a Request for Proposal (RFP) for Audit Services for FY 2025 since the current audit firm, MSL, PA, announced they were acquired by Forvis Mazars. Mr. Warriner said staff would prepare the RFP for the Committee's review at a future meeting, most likely in January. He stated that MSL had been great to work with during the audit process.

In response to Chair Cavanaugh's comment regarding the asset sale of MSL and the Audit Committee's statutory requirement to issue an RFP, Mr. Owens confirmed that since the firm formerly known as MSL is no longer in existence, the process would be necessary. Mr. Owens advised that the Audit Committee serves several roles, one of which is an Auditor Selection Committee, required under Florida Law. The Audit Committee would approve moving forward with an RFP and then recommend that to the Board since it is ultimately a Board decision.

Commissioner Cuddihy moved Committee approval to move forward with the RFP process and recommend this to the NAA Board. Commissioner Dustin seconded. The motion passed unanimously 5-0.

G. PUBLIC COMMENTS

There were no public comments.

H. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/ MEETINGS

Commissioner Dustin asked how many airports Mr. Wolf's firm currently audited. Mr. Wolf responded that there were at least seven or eight. He said that with Forvis Mazars, there would be at least 20. Commissioner Dustin asked Mr. Wolf if he felt that the NAA was a well-run organization. Mr. Wolf said absolutely and that NAA had solid controls from management and had continued to be in a very strong financial position. He said there have consistently been clean audits. Commissioner Dustin was interested in finding out what percentage of the other airports do not take local, state or FAA grant funding. Mr. Wolf said in his current client base, he was not aware of any airport not accepting grants. He said he could easily attain that information through the federal data clearinghouse. Commissioner Dustin also asked Mr. Wolf to familiarize himself

with the NAA's five-year plan and share his opinion as to how long the airport could remain financially solid without grant funds.

Commissioner Dustin referred to page 42 of the ACFR where he noted the chart showing that the City of Naples population had decreased from 20,537 in 2014 to 19,618 which was approximately a 5 percent decrease during a 10-year period. He also noted personal income had increased by approximately 80 percent. He felt this was a big factor in what the Naples Airport had done for the City. Equally important, Commissioner Dustin pointed out that Collier County has benefited as well with their population increasing during same time frame by 20 percent and personal income increasing by 90 percent. He noted that the airport is a huge community asset, and it would be incumbent upon the Board to recognize their deep responsibilities as Commissioners and pay close attention to the impact on this community that the ongoing discussion of relocating the airport is going to have. He said if we did move the airport, it was important to recognize the agita it is going to create about what would go into the current airport space. Commissioner Dustin expressed his opinion that it would not be good and that he would not want to be responsible for continuing the agita in this community for much longer.

Commissioner Burns asked if the Committee should discuss Commissioner Dustin's request for the auditor to provide the percentage of other airport's not accepting grant funds and the audit firm's review and opinion of our five-year plan and how long the airport could remain financially solid without grant funds. Mr. Wolf stated that providing federal information on grants is public information but looking at the five-year capital plan is outside the scope of the audit and would be additional services.

Mr. Owens advised that as the Audit Committee, the members had a right to ask questions of the auditor who is currently engaged to work with the NAA. He noted that if the information and questions being asked fall under their current engagement and they can provide that information as MSL, there would not be a problem. If it goes beyond their current engagement, then it would not be appropriate because that would be part of a new engagement as part of the RFP process. Mr. Owens said none of the questions today were simply questions being asked of the current auditor.

There was discussion regarding the relevance of Commissioner Dustin's request for MSL to provide the data regarding other airports that do not accept grant funding.

Commissioner Cavanaugh clarified that the second part of Commissioner Dustin's request for the audit firm to provide an opinion of our five-year plan and how long the airport could remain financially solid without grant funds would be tabled at this time.

Commissioner Burns asked whether the airports for which Mr. Wolf would provide information would be comparable to Naples Airport, noting that Naples Airport has two major operators accounting for approximately 30 percent of the fuel sales. Mr. Wolf responded that further research would be outside the scope, and he agreed to pull available public data and provide it to staff for

further evaluation. Commissioner Burns also requested a list of the airports who do not accept grants. Mr. Rozansky stated that Mr. Peter Kirsch, NAA's aviation attorney, prepared a memorandum in the past that lists a handful of airports that do not take grants.

There was a majority consensus (4-1) with Commissioner Burns against for the Committee to allow the auditor to provide management with publicly available data regarding airports that accept grant funding and for staff to analyze the information of comparable airports of those that take grants and provide a meaningful dataset to the Audit Committee at the next meeting.

I. ADJOURN

With no further business, the meeting adjourned at approximately 1:20 p.m.

Christopher A. Rozansky
Secretary

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

FINAL AGENDA

City Hall Council Chambers
735 Eighth Street South
Naples, FL 34102

Thursday, December 19, 2024
Immediately Following Regular Meeting of the Board of Commissioners

Commissioner Rita Cuddihy – Acting Chair and NCC Liaison
Commissioner Kerry C. Dustin – Consultant Selection Committee Chair, Audit Committee Member
Commissioner Robert P. Burns – Consultant Selection Committee Member, Audit Committee Member
Commissioner Terrence W. Cavanaugh – Audit Committee Chair, Consultant Selection Committee Member
Commissioner John Crees

Executive Director: Christopher A. Rozansky
Authority Attorney: William L. Owens, Esq. of Bond, Schoeneck & King, PLLC

If you wish to address the Board of Commissioners regarding an item listed on the Agenda, please complete a Speaker Registration form (available at the rear of the room) 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 Board 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 Board 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.

Pledge of Civility

It is the desire of the City of Naples Airport Authority to encourage the open exchange of ideas, fair discussion of the issues, and the participation of all persons in government, therefore, we pledge to be respectful of each other even when we disagree, to direct all comments to the issues, and to avoid personal attacks during all meetings and workshops.

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 2024 Audit and Annual Comprehensive Financial Report

F. NEW BUSINESS

1. Request for Proposal for Audit Services *(Added Item)*

G. PUBLIC COMMENTS

H. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/MEETINGS

1. Upcoming Audit Committee Meetings

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 Dustin and Commissioner Burns (Members). All NAA Commissioners are welcome to attend and can "opt in" to participate.