Minutes
February 1, 2022
Audit Committee

A. ROLL CALL

Meeting was called to order by Audit Committee Chair Cuddihy at 10:30 a.m. in the Airport Office Building Conference Room. Also present were Committee member Commissioner Lenhard; and Commissioner Ruppert, who opted in.

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

B. PLEDGE OF ALLEGIANCE

Chair Cuddihy led the Pledge of Allegiance.

C. AGENDA

Mr. Rozansky 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 2021 Audit and Comprehensive Annual Financial Report

Mr. Warriner, Senior Director of Finance and Administration, made opening comments regarding the FY 2021 Comprehensive Annual Financial Report. He said that following the Committee's review and discussion, staff will be asking for their recommendation for acceptance to present the report to the full Board of Commissioners for consideration at the February 17th Regular Meeting. He introduced Mr. Jeff Wolf of the Authority's audit firm, MSL, P.A., and stated that this is the fifth year that MSL has conducted the audit. Mr. Warriner reported that a Single Audit was performed on the Federal grant awards only, and that an audit on the State grants was unnecessary since we only received $30,000 in grant funding, below the minimum expenditure threshold of $750,000 for awards. There were no Management Letter comments from the auditors this year and the Financial Report continues to meet the requirements of the GFOA Certificate of Achievement in Excellence in Financial Reporting.

Mr. Wolf thanked the Committee and the Board for allowing MSL to serve the Authority. He reviewed the required communications, as well as the services and deliverables in the Annual Financial Report as of and for the years ended September 30, 2021 and 2020. He said that there

were no significant matters and felt it important to note that that there were no corrections or uncorrected financial statements which he said provides an extra level of assurance that the Board is receiving accurate monthly information.

In the Independent Auditor's Report (pages 8-10), Mr. Wolf stated that there was 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. He explained that for this requirement, the auditing firm tests the procurement, cash disbursements, payroll, fuel sales and cash receipts controls over those processes. Mr. Wolf reported that the requirements for the Single Audit Report (pages 50-56) were met for the Federal grants with no issues noted in the testing. 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 60).

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.

On page 40, Chair Cuddihy asked what comprised the amount of $439,476 in the 'Operating Revenues – Other' category. Mr. Warriner stated that the Authority charges a flowage fee to those who self-fuel on the airport. There was discussion to reclassify that amount from "Other" to a different account. Mr. Rozansky clarified that the use of the term, fuel flowage fee, was eliminated a few years ago, and that the account should be called airfield cost recovery fee to reflect the actual cost to operate and provide the airfield as a cost center.

There was consensus to present the report to the full Board of Commissioners for consideration at the February 17th Regular Meeting.

G. NEW BUSINESS

1. Audit Firm

Mr. Warriner requested Committee discussion of the audit firm engagement for FY 22. He said that we typically engage the auditor in the summertime so that they can begin their interim work in July. He explained that the engagement for FY 2021 was MSL's fifth year providing audit services, and in accordance with the Authority's Bylaws, Section 3 states:

> Section 3. **AUDIT.** There shall be an annual audit of the accounts and records of the Authority by a firm of certified public accountants, who shall act as the Authority's auditors ("the Auditors"). During the third year of engagement, the Board shall consider and decide whether to renew the engagement or to commence a competitive selection process for the retention of auditors for the succeeding year. The Board shall, through a competitive

> selection procedure no less frequently than every five (5) years select the Auditors. Whenever the Board elects to utilize the competitive selection process, the current Auditors shall be eligible to compete in the process. The Auditors shall report to and be reviewed annually by the Board to assess their performance and accomplishments.

Since MSL has provided audit services for five years, Mr. Warriner asked if the Committee had a recommendation to utilize the consultant selection process for retaining an auditor for the succeeding year. Commissioner Lenhard asked Mr. Wolf how long his firm has been providing audit services. Mr. Wolf stated that his firm has been the auditor for five years and that a different firm preceded MSL. Mr. Rozansky stated that the previous audit firm was the auditor for at least 10 years.

Mr. Warriner stated that an engagement letter would be presented at a May 2022 Audit Committee meeting, and the Committee's recommendation would be presented for consideration at the May Board of Commissioners Meeting.

Mr. Owens commented that when the Bylaws were drafted or when the five-year provision was added, the Board of Commissioners at that time decided to be more stringent on themselves than what the law allows. He added that the Board clearly at its discretion can change the Bylaws at any time and give themselves more flexibility. As previously discussed, he said that there are obvious ways to terminate earlier but audit services are usually a year-by-year engagement. In response to Chair Cuddihy's comment regarding Florida law as it pertains to audit services, Mr. Owens said that the law requires an agreement and there are procedures to follow for competitive selection. He added that once those procedures are followed, it can be built into the agreement the ability to renew that agreement. He said that there are also procedures in place about the number of members on the selection committee which would have to be increased by one to go through the selection process. To his recollection, Mr. Owens stated that he didn't believe there was a maximum number of years that an audit firm can provide services.

Mr. Wolf stated that this question comes up frequently and most audit rotations occur in the 10-year time frame. He pointed out that at any time, his firm could provide a new team to provide a new set of eyes within the same organization.

Mr. Rozansky said that the Committee could make a recommendation to present to the full Board in February that the language of the Bylaws be amended to read "shall" vs. "may" so that the Board may discuss whether to continue with the same firm and if you would like to see any changes to the current team.

There was consensus for the Committee to request Board discussion to amend the language in the Bylaws from "shall" to "may" for the Audit Committee to utilize regarding the competitive selection process.

H. PUBLIC COMMENTS

There were no public comments.

I. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/ MEETINGS

There were no additional correspondence/comments and requests/meetings.

J. ADJOURN

With no further business, the meeting adjourned at 11:03 a.m.

Christopher A. Rozansky
Secretary

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

FINAL AGENDA

Airport Office Building, 2nd Floor Conference Room
200 Aviation Drive North
Naples, FL 34102

Tuesday, February 1, 2022
10:30 a.m.

Commissioner Kerry C. Dustin – Chair
Commissioner Rick Ruppert – Vice Chair and Consultant Selection Committee Chair
Commissioner Donna M. Messer – NCC and TAC Liaison
Commissioner Michael Lenhard – Audit Committee and Consultant Selection Committee Member
Commissioner Cuddihy – 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 2021 Audit and Comprehensive Annual Financial Report (CAFR)

F. NEW BUSINESS

1. Audit Firm

G. PUBLIC COMMENTS

H. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/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 Cuddihy (Chair) and Commissioner Lenhard (Member). All NAA Commissioners are welcome to attend and can "opt in" to participate.