Minutes
February 15, 2024
Audit Committee

A. ROLL CALL

The meeting was called to order by Audit Committee Chair Cavanaugh at 1:15 p.m. in the Naples City Council Chambers.

Also present were Committee Members: Commissioner Burns and Commissioner Dustin. Commissioner Cuddihy was present and opted in to participate and vote.

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

B. PLEDGE OF ALLEGIANCE

Chair Cavanaugh led the Pledge of Allegiance.

C. AGENDA

Mr. Rozansky stated pages 49-56 of the FY 2023 Audit and Annual Comprehensive Financial Report were revised and provided to the Audit Committee members in advance.

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 2023 Audit and Comprehensive Annual Financial Report

Chair Cavanaugh noted that Mr. Warriner will introduce the topic and that Mr. Jeff Wolf, MSL, PA, the Authority's auditor, will be presenting. As a reminder from the last meeting, Chair Cavanaugh said that the Committee requested new audit staff from MSL's firm. He added that the changes provided to the Committee related to one deficiency that was identified, regarding one FAA grant. It was due to a clerical error, based on a formula error in a spreadsheet. Chair Cavanaugh has discussed this with Mr. Warriner and is comfortable moving forward with the changes presented.

Mr. Warriner, Senior Director of Finance and Administration, made opening comments. He said addressed the issue noted with regard to one of the grants, as part of the FAA single audit. The issue was a compliance issue where when monthly draws are done, there was an error on one of the line items of the spreadsheet. Mr. Warriner said he had reviewed it and did not catch the error.

When the error was identified, staff made contact with the grant authorities for direction, and the NAA has since refunded the money. The grant authorities reiterated that since it was still an open grant, staff could correct the errors. Since then, internal controls have been put in place to prevent this from happening in the future.

Mr. Warriner stated the requested action is for Committee discussion and recommendation of acceptance of the FY 2023 Audit and Annual Comprehensive Financial Report for the Board of Commissioners' consideration at the March 21, 2024 Regular Meeting. He introduced Mr. Jeff Wolf to provide a brief presentation of the audit for the fiscal year ending September 30, 2023.

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 will 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 significant matters in the current year and 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. During the audit, there were no corrected or uncorrected misstatements, meaning the trial balance that began was the same as what was finished in the audit.

He said that the 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 Authority only met the federal Single Audit (page 49-56) and there was one finding which related to internal control. Overall, there was still an unmodified opinion on compliance. The Authority was always in compliance with the grant, but this referred to the error which resulted in a significant deficiency over internal control. There is much more scrutiny on the grant dollars, but it did not impact the financial audit. It was audited for both internal controls

and compliance. He informed the Board that no findings or issues were noted in the Management Letter (pages 57-59) or the Independent Accountant's Report (page 60).

Mr. Wolf stated that he was comfortable with the internal control that was put in place by Mr. Warriner relating to the grant.

Commissioner Dustin asked if the grant had closed, would the government have figured out that they overpaid the Authority. Mr. Wolf said yes, that would have been figured out at the end.

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). He noted the significant change in non-operating revenues which relates to last year's large unrealized investment loss. This year, that number flipped and showed positive investment income and there was also a large insurance payment made due to the hurricanes. Operating revenues remained flat, which was partially due to the hurricane and some loss of revenue. He said it was a pretty solid financial year with a strong $11 million change in net position compared to $7 million in the prior year.

A question-and-answer period followed.

Chair Cavanaugh was curious, in terms of the management letter and not having any material findings, what percentage of public entity clients would not have any findings. Mr. Wolf said the management letter comments to clients change every year. He said there are also other forms of comments, but it is important to note that a brand new team led the testing for the NAA and came away with the thought process that there were solid controls in place. Mr. Warriner indicated that overall, he was satisfied with the MSL team, even though it took a little longer than in the past because staff had to educate them on how our operations work.

Commissioner Dustin moved Committee approval to recommend acceptance of the Fiscal Year 2023 Annual Audit and Annual Comprehensive Financial Report (Draft) for the Board of Commissioners consideration at their next Regular Meeting. Commissioner Burns seconded. The motion passed unanimously 4-0.

Mr. Warriner thanked the Finance team for doing an excellent job on the audit. He also thanked the MSL team for their hard work.

Chair Cavanaugh said he was impressed with the financial report in terms of the information presented and he thanked and applauded the entire staff for their work.

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

There was consensus to discuss an upcoming Audit Committee meeting at a later date. Mr. Warriner said those meetings are usually held in April or May. The next meeting will be a formal review of the auditors, as well as recommend the auditors for next year and specify any special projects or procedures on internal controls for the auditors to evaluate with results presented in November.

I. ADJOURN

With no further business, the meeting adjourned at 1:35 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, February 15, 2024
Immediately Following Naples Airport Authority Board of Commissioners Regular Meeting

Commissioner Rick Ruppert – Chair
Commissioner Rita Cuddihy – Vice 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
Executive Director: Christopher A. Rozansky
Authority Attorney: William L. Owens, Esq. of Bond, Schoeneck & King, PLLC

Welcome. 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.

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 2023 Audit and Annual Comprehensive Financial Report

F. NEW BUSINESS

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.