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

AGENDA

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

Friday, January 11, 2019
8:30 a.m.

Commissioner Donna M. Messer – Chair and NCC Liaison
Commissioner Michael Lenhard – Vice Chair and Consultant Selection Committee Chair
Commissioner James Rideoutte – Audit Committee Chair, Consultant Selection Committee Member
Commissioner Ted Brousseau – Legal Liaison
Commissioner Kerry C. Dustin, Audit Committee Member
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. DISCUSSION ITEM

1. Fiscal Year 2018 Audit and Financial Statements

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

F. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/MEETINGS

G. 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 Rideoutte (Chair) and Commissioner Dustin (Member). All NAA Commissioners are welcome to attend and can "opt in" to participate.

NAPLES AIRPORT AUTHORITY

To: Honorable Chair of the Audit Committee and Commissioners

From: Christopher A. Rozansky, Executive Director CR

By: Ken Warriner, Director of Finance and Administration KW

Meeting Date: January 11, 2019

Re: **DISCUSSION ITEM**

1. FY 2018 Audit And Comprehensive Annual Financial Report (CAFR)

- **Financial Summary**

ACTION REQUESTED: Committee questions, discussion, and acceptance of the Fiscal Year 2018 annual audit and Comprehensive Annual Financial Report (draft), and Committee recommendation to the Board for acceptance at the February 2019 Regular Meeting.

BACKGROUND: Moore, Stephens Lovelace, PA was selected as the Authority's auditor following a competitive selection process in June 2017. This is their second year they have provided audit services for the Authority.

The financial statement format is substantially the same as in the prior year; however, a Single Audit was done on the State grant awards only, as we need not meet minimum threshold of $750,000 for Federal awards. The draft financial report reflects that the Auditors expressed an unmodified opinion, which is the highest level of opinion that can be received.

The auditors did have one management letter comment and our response to the comment is included. Staff believes that the FY 2018 report continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements.

The Statement of Net Position shows total assets of $99,191,000. The Statement of Revenues, Expenses, and Changes in Net Position shows total Operating Income for FY 2018 of $2,148,000 and a total change in net position of $5,307,000.

COMMUNICATION PLAN: The Audit Committee recommendation will be presented to the NAA Board at its February 21st Regular Meeting. Upon Board acceptance, the draft document will be made final. Copies of the CAFR will be provided to the required regulatory agencies and

the City of Naples Finance Director. Copies will be available to the general public at the Naples Airport Authority offices or from the NAA website, flynaples.com. We will also submit the CAFR to the Government Finance Officers Association (GFOA) for consideration for the Certificate of Achievement for Excellence in Financial Reporting, having received the Certificate for the past ten years.

FINANCIAL IMPACT: Not applicable.

Audit Committee Draft 1-4-19

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

CITY OF NAPLES AIRPORT AUTHORITY
NAPLES, FLORIDA

NAPLES AIRPORT

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CITY OF NAPLES AIRPORT AUTHORITY
NAPLES, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

Prepared by the City of Naples Airport Authority Finance Department

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CITY OF NAPLES AIRPORT AUTHORITY
Comprehensive Annual Financial Report
As of and for the Years Ended
September 30, 2018 and 2017

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Naples AIRPORT AUTHORITY

January 11, 2019

To the Board of Commissioners
City of Naples Airport Authority
Naples, Florida

We are pleased to present to you the accompanying Comprehensive Annual Financial Report of the City of Naples Airport Authority (the Authority) for the fiscal years ended September 30, 2018 and 2017. The purpose of the report is to present fairly and to disclose fully the Authority's financial position and the results of its operations. This report consists of four sections: Introductory, Financial, Statistical and Compliance.

This report consists of management's representation concerning the finances of the Authority. Consequently, management assumes full responsibility for the accuracy of the data and the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, Authority management has established a comprehensive internal control framework that is designed both to protect its assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Florida Statutes require that all local government entities publish a complete set of financial statements presented in conformity with GAAP and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. An audit of the Authority's financial statements for the fiscal years ended September 30, 2018 and 2017 was completed by the Authority's independent auditors, Moore Stephens Lovelace, P.A. Their report is included herein.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal years ended September 30, 2018 and 2017 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement

presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements for the fiscal years ended September 30, 2018 and 2017 are fairly presented in conformity with GAAP. The independent auditor's report is the first component of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found in the financial section, immediately following the report of the independent auditors.

The Airport

The Naples Airport was originally constructed in 1943 as the "Naples Airdrome" and served as an Air Corps base for training gunners, bomber crews and fighter pilots for combat during World War II. After the end of the war, the city and county jointly operated the airport until the county sold its interest to the city in 1958.

Naples Airport is located in western Collier County, approximately one mile from the City of Naples business district and approximately one and a half miles inland of the Gulf of Mexico. The airport, which is owned by the City of Naples, is leased to the Authority under a 99 year lease that expires in 2069.

General aviation has always generated the majority of aircraft activity at Naples Airport. Of the 112,262 aircraft operations (one operation is one landing or one takeoff) at Naples Airport during fiscal year 2018, all but 322 operations (military) were attributed to general aviation. All types of aircraft, from small piston engine trainers to large business jets, can be seen at the Naples Airport. Use of the airport is restricted to aircraft less than 75,000 pounds maximum gross landing weight supported by dual landing gear, and Stage 1 and Stage 2 jets are banned, except for public agency and emergency medical flights.

The Authority

The City of Naples Airport Authority (NAA) was created by State Enabling Legislation and City of Naples action in 1969. The City of Naples, recognizing the benefits of an authority type management concept, established the Authority for the purpose of enhancing service to users, improving the community gateway image and eliminating financial subsidies by city taxpayers. The Authority is an independent reporting entity as defined by the Governmental Accounting Standards Board (GASB).

The Authority's Board of Commissioners is composed of five members appointed by Naples City Council. Commissioners are appointed for a term of four years or until a successor is appointed, except that any person appointed to fill a vacancy is appointed to serve only the unexpired term. The Board of Commissioners retains the Executive Director, who is the chief operating and chief administrative officer, secretary and treasurer of the Authority. The Executive Director hires all other Authority employees.

The Authority financially supports itself directly from aviation fuel sales and airport user fees. No local, state or federal general taxes, such as property, utility, sales, intangible or income taxes directly support the Authority. The Authority receives, for certain capital projects, state and federal financial grants from trust funds established largely from aviation fuel taxes and airline ticket taxes. The Authority pays the City of Naples for utility, police and firefighting services and also built, equips and maintains City Fire Station #3, as well as several storm-water and environmental facilities. The Authority builds and maintains internal roadways and utilities and has constructed many of the external roadway improvements, including horticultural beautification and bicycle paths.

The Authority's budget and amendments, if any, are adopted by resolution of the Board of Commissioners, as required by Florida Statutes. The adopted budget regulates the total expenditures of the Authority for the fiscal year, and it is unlawful for any officer of the Authority to expend or contract for expenditures that exceed the budgeted appropriations. The Authority has a September 30 fiscal year ending date and, accordingly, the budget must be adopted by the Board of Commissioners before October 1, the beginning date of the new fiscal year.

Financial Condition of the Authority

The information presented in the Financial Section of this report is best understood when it is considered from the broader perspective of the specific environment within which the Authority operates. The Authority's economic condition is a composite of its financial health and its ability to meet its financial obligations and service commitments.

The financial condition of the Authority is primarily dependent upon aviation fuel sales. Aviation fuel sales, in turn, are usually dependent upon several factors, including the economic conditions in the United States and locally. The Authority's local customer base somewhat offsets the impact of a nationwide economic slowdown. Operating revenues increased 8% for 2018, and the Authority has been increasing staffing to meet the increased traffic and demand for services.

For fiscal year 2018, net fuel sales made up 63% of the Authority net operating revenues. The Authority's selling price of aviation fuel is based on a cost-plus formula in accordance with the published rates and charges set by the Executive Director. The Authority maintains the exclusive right to retail fuel sales at the Naples Airport. A more detailed discussion of the Authority's financial results is contained in the MD&A found in the Financial Section of this report.

Relevant Financial Policies

The Authority has developed published rates and charges based on a reasonable rate of return, in addition to meeting the requirements of maintenance, operating costs and capital recovery. These rates and charges, as a package, maintain and enhance the healthy financial condition of the Authority. It should be noted that there are significant regulatory guidelines that must be considered when developing airport rates and charges. At a minimum, the Authority's rates and charges are updated annually.

As part of the Authority's planning process, a five year capital improvement program is also updated at least annually. These projections assist the Authority in determining the potential

impact of capital projects on future budgets and future revenue requirements, enabling the Authority to develop successful plans.

For fiscal year 2018, the Authority maintained a $5.0 million reserve for emergency operating and capital contingencies. Effective October 1, 2018, the reserve was increased to $6.0 million.

Current and Long-Term Capital Initiatives

The two major sources of outside funding for the Authority's capital improvement plan are the Federal Aviation Administration (FAA) and the Florida Department of Transportation (FDOT). The amount of funding that is provided by these two agencies is predicated on whether the airport is designated as a commercial service or general aviation airport. Until 2010, the Naples Airport was designated as a primary commercial service airport, with the Authority eligible for $1 million per year in Entitlement Funding from the FAA under the Airport Improvement Program. Due to the loss of scheduled commercial air service, the Airport has lost that designation and was then eligible for $150,000 per year in Entitlement Funding as a general aviation airport. The Authority, as a publically-owned Florida airport, is also eligible for state funding. FDOT provides up to one-half of the local share of project costs when FAA funding is received, and when no federal funding is available, FDOT can provide up to 80% of eligible project costs for general aviation airports.

Capital improvement projects slated for FY 2019 are budgeted at $27.0 million, of which $1.6 million is anticipated to come from the FAA and $4.2 million from the FDOT. Anticipated funds for these projects are as follows:

- Taxiway D West Quad Design FDOT for $1.35 million
- Airport Fire Station replacement-design and construction FDOT at $2.8 million
- Airport Master Plan Update is being funded by FAA at $340,000 and FDOT at $34,000
- Runway 5-23 Drainage Improvements - FAA at $540,000 and FDOT at $30,000
- T-Hangar and Box Hangar Development-South Quad layout and cost design FAA for $675,000

Authority funds of $4.6 million are budgeted for these participatory projects, with another $16.7 million for non-assisted projects and equipment purchases.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Naples Airport Authority for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This was the twelfth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated service of the entire Finance Department. We would like to express our appreciation to all members of the Department who assisted in and contributed to its preparation as well as to the Authority's Audit Committee, which is comprised of Commissioner Rideoutte as Audit Committee Chairman and Commissioner Dustin. We would also like to thank the Board of Commissioners for their interest and support in planning and conducting the financial operations of the Authority in a responsible and progressive manner. In addition, we wish to express our appreciation to our audit firm, Moore Stephens Lovelace, P.A. for their examination of our accounts.

Respectfully submitted,

Christopher A. Rozansky
Executive Director

Ken Warriner
Director of Finance & Administration

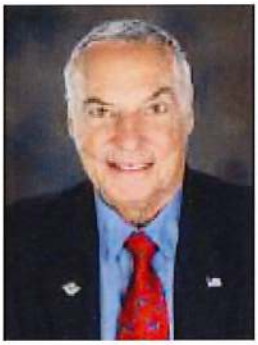
City of Naples Airport Authority

Donna M. Messer
Chair

Michael Lenhard
Vice Chair

James T. Rideoutte
Commissioner

Kerry Dustin
Commissioner



Ted Brousseau
Commissioner

Christopher A. Rozansky
Executive Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Naples Airport Authority

Florida

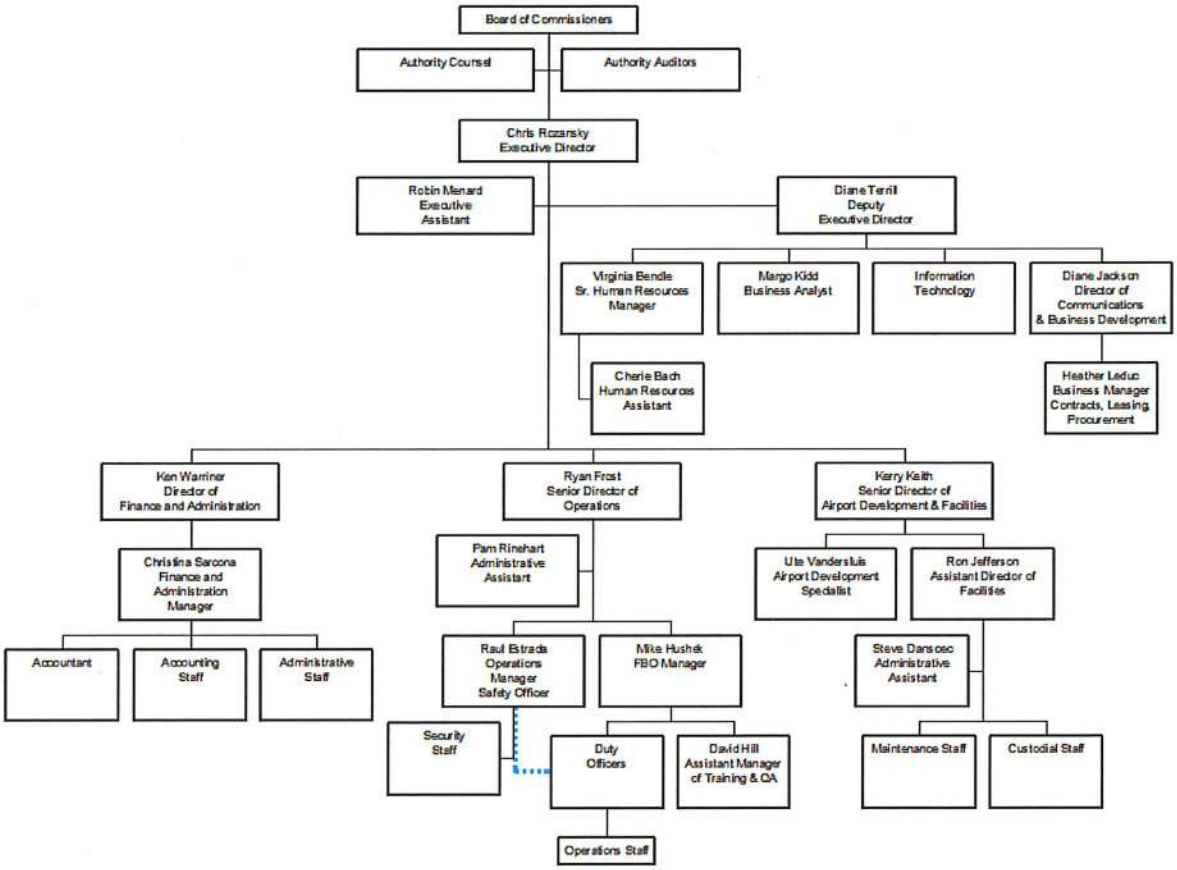
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

City of Naples Airport Authority Organization Chart



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MSL
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
City of Naples Airport Authority
Naples, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Naples Airport Authority (the "Authority") as of and for the fiscal years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

DRAFT

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Authority as of September 30, 2018 and 2017, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 operational, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis, as required by Chapter 69I-5, *Schedule of Expenditures of State Financial Assistance, Rules of the Department of Financial Services*, and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of State Financial Assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing them and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Board of Commissioners
City of Naples Airport Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated (DATE OF REPORT), on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Tampa, Florida
(DATE OF REPORT)

DRAFT

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The following Management Discussion and Analysis (MD&A) of the City of Naples Airport Authority's activities and financial performance provides the reader with an introduction and overview to the financial statements of the City of Naples Airport Authority (the Authority) for the fiscal years ended September 30, 2018 and 2017, with selected comparative information for the fiscal year ended September 30, 2016. The information presented in this MD&A should be considered in conjunction with the accompanying financial statements, notes, and supplementary information found in this report. This information, taken collectively, is designed to provide readers with an understanding of the Authority's financial condition. All numbers are rounded to nearest thousand.

Airport Activities and Highlights

The Authority operates the Naples Airport which provides general aviation services and non-scheduled commercial airline service to the public. Major measures of activities of the Naples Airport are as follows:

	2018	2017	2016
Aviation fuel gallons sold	7,837,000	7,116,000	6,751,000
% increase (decrease) from prior year	10.1%	5.4%	5.3%
Aircraft operations	112,300	95,000	95,000
% increase (decrease) from prior year	18.2%	0.0%	-5.0%

Fuel sales are the major source of revenue for the airport and increased steadily over the last three years. The quantity of gallons sold continues to increase as the number of jet aircraft using the airport increases.

Naples Airport provided scheduled commercial air service to the community for 50+ years. In 2009, the Airport lost all scheduled commercial air service. In FY 2016, limited scheduled commercial air service returned to the airport, however, passenger levels did not reach the threshold of 2,500 enplanements during FY 2017 and FY 2016 to be classified as a non-primary commercial service airport. The commercial airline ceased operating at the airport in 2017.

Financial Highlights and Summary

The following is a condensed summary of the Authority's revenues, expenses and changes in net position at September 30:

	2018	2017	2016
Total operating revenues, net	$ 16,235,000	$ 15,026,000	$ 14,279,000
Total non-operating revenues	1,233,000	452,000	319,000
Total revenues	17,468,000	15,478,000	14,598,000
Total operating expenses	14,087,000	13,139,000	13,262,000
Total non-operating expenses	-	43,000	16,000
Total expenses	14,087,000	13,182,000	13,278,000
Income before capital contributions	3,381,000	2,296,000	1,320,000
Capital contributions	1,926,000	1,937,000	1,140,000
Increase in net position	5,307,000	4,233,000	2,460,000
Beginning net position	85,423,000	81,190,000	78,730,000
Ending net position	$ 90,730,000	$ 85,423,000	$ 81,190,000

Operating revenues for 2018 increased $1,209,000, or 8.0%, over the prior year primarily due to $868,000 in higher fuel sales. Operating revenues for FY 2017 increased $747,000, or 5.2%, over 2016 primarily due to $548,000 in higher fuel sales.

In 2018, non-operating revenues were up by $781,000 or 173.0%. This was due to $500,000 in insurance proceeds from Hurricane Irma and additional interest revenue from higher cash balances as well as higher interest rates.

In 2017, non-operating revenues were up by $133,000 or 41.7% primarily due to higher interest revenues due to higher cash balances.

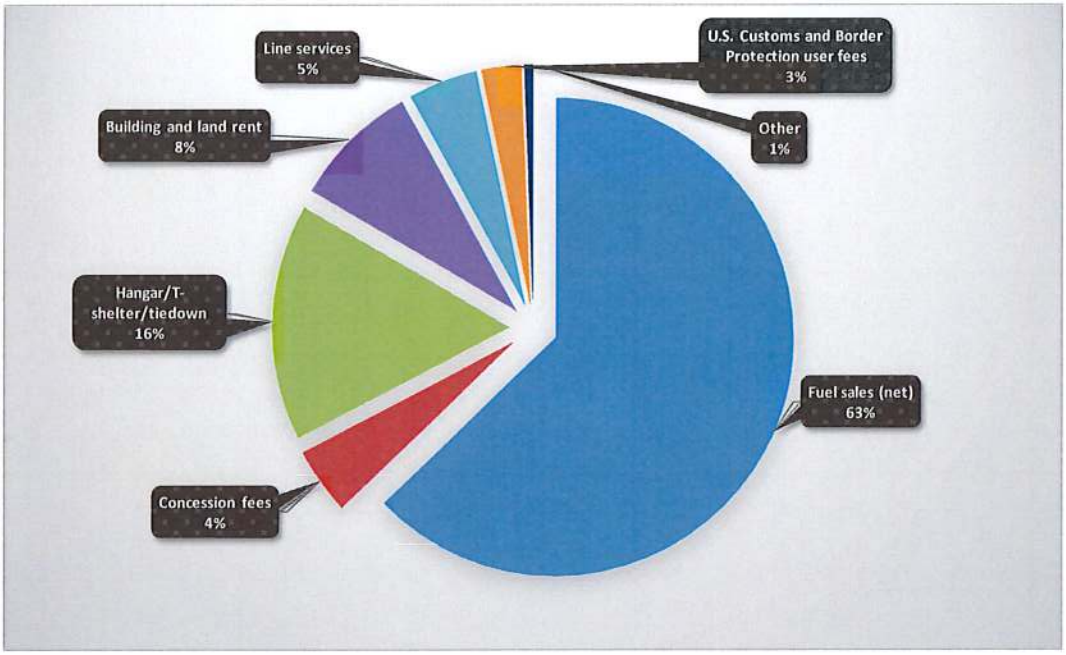
Total operating expenses rose $949,000 in fiscal year 2018, a 7.3% increase over the prior year. Personnel costs increased $88,000 or 1.5% due to annual merit and cost of living increases. Professional fees increased $401,000 or 49.4% due to higher legal and outside professional consultants associated with more airport projects in 2018 as well as the Hurricane Irma insurance claim. Maintenance and repairs increased $246,000 or 41.6% mainly due to repairs from Hurricane Irma in September 2017.

In 2017, operating expenses were relatively flat to 2016.

In 2018, capital contributions were $1,926,000.

In fiscal year 2017, capital contributions were $1,937,000. The Authority received $1.4 million from FAA funds and $454,000 from FDOT for Taxiway A Construction and $48,000 from customer's contribution.

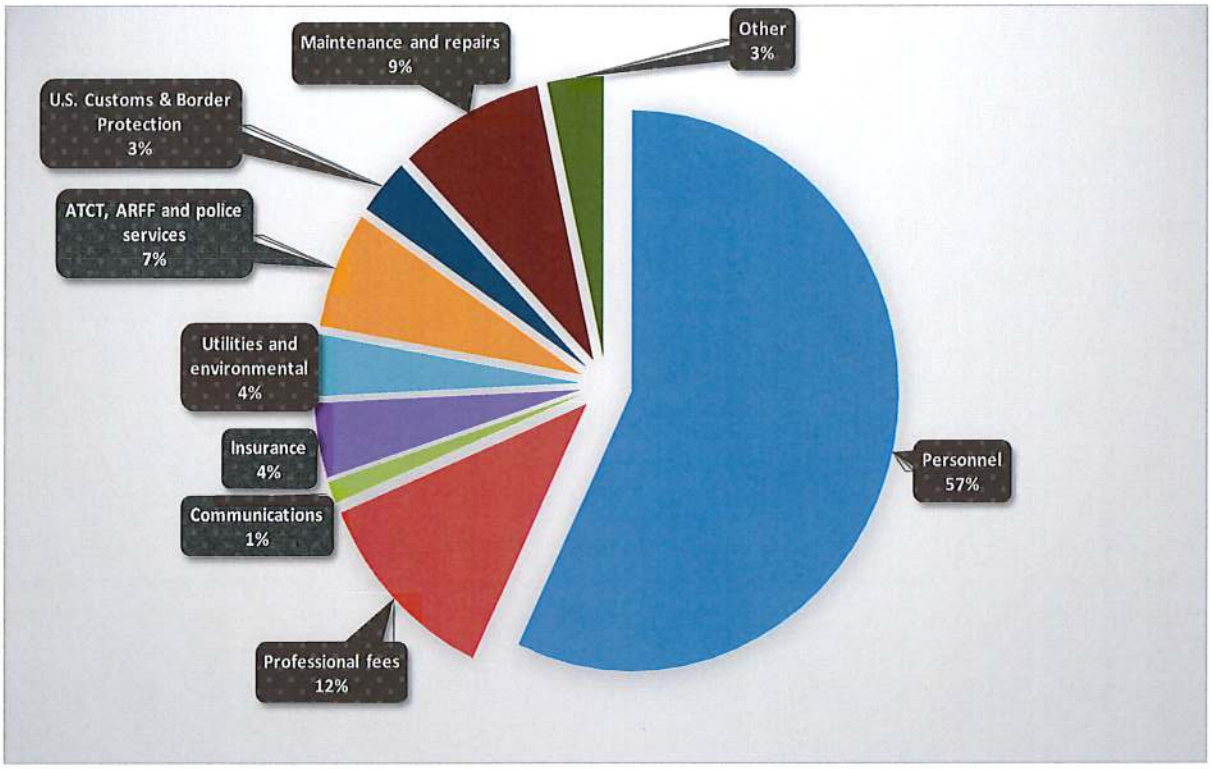
The following chart shows the major sources of operating revenues as a percentage of total operating revenues for the year ended September 30, 2018:



The following is a summary of the Authority's operating revenues for the year ended September 30:

	2018	2017	2016
Operating revenues:			
Fuel sales (net)	$ 10,202,000	$ 9,334,000	$ 8,786,000
Concession fees	737,000	682,000	716,000
Hangar/T-shelter/tiedown	2,597,000	2,515,000	2,413,000
Building and land rent	1,385,000	1,388,000	1,327,000
Line services	771,000	731,000	698,000
U.S. Customs and Border Protection user fees	442,000	357,000	311,000
Other	101,000	19,000	28,000
Net operating revenues	$ 16,235,000	$ 15,026,000	$ 14,279,000

The following chart shows the major sources of operating expense before depreciation as a percentage of total operating expenses before depreciation for the year ended September 30, 2018:



The following is a summary of the Authority's operating expenses before depreciation at September 30:

	2018	2017	2016
Operating expenses:			
Personnel	$ 5,916,000	$ 5,828,000	$ 5,385,000
Professional fees	1,212,000	811,000	783,000
Communications	129,000	151,000	199,000
Insurance	446,000	449,000	461,000
Utilities and environmental	367,000	274,000	265,000
ATCT, ARFF and police services	697,000	630,000	715,000
U.S. Customs & Border Protection	336,000	313,000	295,000
Maintenance and repairs	915,000	646,000	1,100,000
Other	355,000	334,000	269,000
Total operating expenses before depreciation	$ 10,373,000	$ 9,436,000	$ 9,472,000

The following is a condensed summary of the Authority's net position at September 30:

	2018	2017	2016
Current and other assets	$ 36,072,000	$ 30,970,000	$ 26,777,000
Capital assets (after depreciation)	63,119,000	61,937,000	61,145,000
Total assets	99,191,000	92,907,000	87,922,000
Current liabilities	3,436,000	3,217,000	2,455,000
Non-current liabilities	5,025,000	4,267,000	4,277,000
Total liabilities	8,461,000	7,484,000	6,732,000
Net Position			
Investment in capital assets	62,771,000	61,937,000	60,738,000
Restricted	1,805,000	1,587,000	1,381,000
Unrestricted	26,154,000	21,899,000	19,071,000
Net position	$ 90,730,000	$ 85,423,000	$ 81,190,000

In 2018, total assets increased by $6.3 million, or 6.8%. The majority of this increase, $3.9 million, is an increase in cash and cash equivalents due to higher fuel sales and more interest income. Total liabilities increased by $1.0 million or 13.1%.

In 2017, total assets increased by $4.9 million, or 5.7%. The majority of this increase, $4.1 million, is an increase in cash equivalents due to positive cash flow from operations. Total liabilities increased by $752,000 or 11.1%. Accounts payable increased by $294,000 and Capital Improvements increased by $340,000.

The Authority's total assets exceeded liabilities by $90.7 million in 2018 and $85.4 million in 2017. The largest portion of the Authority's net position each year (69.6% of total net position for 2018) represents its investment in capital assets (e.g. land, infrastructure, buildings, improvements, intangible assets and equipment). Restricted net position of $1.8 million (2.0% of total net position for 2018) consists of the accumulated balance of Customer Facility Charges collected by car rental companies, and this money is available only for car rental facility improvements. The remaining $26.2 million of net position (28.8% of total net position for 2018) may be used to meet any of the Authority's ongoing obligations.

A comparison of the Authority's current assets to current liabilities (current ratio) is a way to analyze the Authority's ability to satisfy short-term obligations as they become due. A low ratio may indicate an inability to meet its short-term debts in an emergency. A high ratio is considered favorable to creditors but may indicate excessive investment in working capital items. In 2018 and 2017, the Authority's current ratio was 10.5 and 9.6 respectively. In 2016, the current ratio was 10.9.

The following is a summary of the major sources and uses of cash and cash equivalents for the past three years. Cash Equivalents are considered cash-on-hand, bank deposits and highly liquid investments with a maturity of three months or less when purchased.

	2018	2017	2016
Cash flows from :			
Operating activities	$ 7,312,000	$ 6,023,000	$ 7,702,000
Capital related financing activities	(3,914,000)	(2,176,000)	(2,393,000)
Investing activities	512,000	228,000	109,000
Net increase in Cash and Cash Equivalents	3,910,000	4,075,000	5,418,000
Cash and Cash Equivalents:			
Beginning of Year	29,745,000	25,670,000	20,252,000
End of Year	$ 33,655,000	$ 29,745,000	$ 25,670,000

The Authority's available cash and cash equivalents were $33.7 million and $29.7 million at the end of 2018 and 2017, respectively. This increase is $4.0 million, or 13.5%.

The Authority does not currently have a written investment policy as defined by Florida Statute 218.415, therefore its investment options are limited. The Authority's cash at end of the year is in interest bearing checking and money market accounts.

Capital Acquisitions and Construction Activities

At the end of 2018, the Authority had $63.1 million, net of accumulated depreciation, invested in a broad range of capital assets, including its terminal and office buildings, aircraft hangars, fuel facilities and equipment, runways and taxiways, and buildings and equipment for fire/rescue, air traffic control, and U.S. Customs. This amount represents a net increase of $1.2 million or 1.9% over the prior year.

During 2018, completed projects and capital purchases totaling $4.0 million were closed from construction-in-progress to their respective capital asset accounts. The major completed projects were:

Taxiway D Extension	$ 2,232,062
HVAC Replacement	524,995
Taxiway F Development	632,218
Various other projects	640,915
	$ 4,030,190

At the end of FY 2018 major projects within construction-in-progress consisted of the following:

Taxiway D Realignment	$ 1,793,000
Master Plan Update	481,686
ARFF Replacement & Design	457,350
Various other projects	742,475
	$ 3,474,511

Capital asset acquisitions and improvements are funded using a variety of financing techniques, including Federal and State grants, airport funds, and airport revenues. Additional information on the Authority's capital assets and commitments can be found in the Notes to Financial Statements, Notes 3 and 12 respectively.

Debt

The Authority has maintained a zero debt balance in fiscal years 2016 through 2018.

Economic Factors and Future Impacts

The Authority financially supports itself directly from airport user fees and indirectly by airport user taxes. No local, state or federal general taxes, such as property, utility, sales, intangible property or income taxes directly support the Authority. The Authority receives, for certain capital projects, state and federal financial grants from trust funds established largely from aviation fuel taxes.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or require additional financial information, please contact the Authority's Director of Finance and Administration at 160 Aviation Drive North, Naples, Florida, 34104.

CITY OF NAPLES AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
September 30, 2018 and 2017

ASSETS

CURRENT ASSETS	**2018**	2017
Cash and cash equivalents	**$ 31,850,000**	$ 28,158,000
Restricted cash	**1,805,000**	1,587,000
Accounts receivable (net)	**427,000**	373,000
Inventories	**403,000**	367,000
Due from governmental agencies	**1,430,000**	206,000
Prepaid expenses	**157,000**	279,000
Total current assets	**36,072,000**	30,970,000
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	**63,119,000**	61,937,000
Total noncurrent assets	**63,119,000**	61,937,000
Total assets	**99,191,000**	92,907,000
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	**1,399,000**	802,000
Accounts payable - capital improvements	**348,000**	747,000
Unearned revenue	**1,472,000**	1,421,000
Compensated absences	**40,000**	86,000
Accrued expenses and other liabilities	**177,000**	161,000
Total current liabilities	**3,436,000**	3,217,000
NONCURRENT LIABILITIES		
Compensated absences	**356,000**	377,000
Unearned revenue - lease term buy-back program	**4,669,000**	3,890,000
Total noncurrent liabilities	**5,025,000**	4,267,000
Total liabilities	**8,461,000**	7,484,000
NET POSITION		
Investment in capital assets	**62,771,000**	61,937,000
Restricted for rental car facility improvements	**1,805,000**	1,587,000
Unrestricted	**26,154,000**	21,899,000
Total net position	**$ 90,730,000**	$ 85,423,000

CITY OF NAPLES AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
September 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Fuel sales (net)	**$ 10,202,000**	$ 9,334,000
Concession fees	**737,000**	682,000
Hangar/T-shelter/tiedown	**2,597,000**	2,515,000
Building and land rent	**1,385,000**	1,388,000
Line services	**771,000**	731,000
U.S. Customs and Border Protection user fees	**442,000**	357,000
Other	**101,000**	19,000
Net operating revenues	**16,235,000**	15,026,000
OPERATING EXPENSES		
Personnel	**5,916,000**	5,828,000
Professional fees	**1,212,000**	811,000
Communications	**129,000**	151,000
Insurance	**446,000**	449,000
Utilities and environmental	**367,000**	274,000
Office/postage/printing	**108,000**	83,000
ATCT, ARFF and police service	**697,000**	630,000
U.S. Customs and Border Protection	**336,000**	313,000
Dues/subscriptions/fees	**61,000**	89,000
Auto gas and diesel fuel	**61,000**	50,000
Pilot services	**125,000**	112,000
Maintenance and repair	**915,000**	646,000
Depreciation and amortization	**3,714,000**	3,703,000
Total operating expenses	**14,087,000**	13,139,000
Operating income	**2,148,000**	1,887,000
NON-OPERATING REVENUES (EXPENSES)		
Customer facility charges	**214,000**	212,000
Interest revenue	**512,000**	228,000
Claims and insurance settlements	**507,000**	(43,000)
Gain on disposal of capital assets	**-**	12,000
Total non-operating revenues (expenses)	**1,233,000**	409,000
Income before capital contributions	**3,381,000**	2,296,000
Capital contributions	**1,926,000**	1,937,000
Change in net position	**5,307,000**	4,233,000
Total net position - beginning	**85,423,000**	81,190,000
Total net position - ending	**$ 90,730,000**	$ 85,423,000

CITY OF NAPLES AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	**$ 36,806,000**	$ 29,997,000
Cash payments to suppliers for goods and services	**(23,569,000)**	(18,205,000)
Cash payments for personnel services	**(5,924,000)**	(5,769,000)
Net cash provided by operating activities	**7,312,000**	6,023,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Customer facility charges	**214,000**	212,000
Acquisition and construction of capital assets	**(5,337,000)**	(4,206,000)
Capital contributed	**702,000**	1,840,000
Proceeds from sale of capital assets	**-**	21,000
Claims and insurance settlements	**507,000**	(43,000)
Net cash used in capital and related financing activities	**(3,914,000)**	(2,176,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	**512,000**	228,000
Net cash provided by investing activities	**512,000**	228,000
Net increase in cash and cash equivalents	**3,910,000**	4,075,000
CASH AND CASH EQUIVALENTS, beginning of year	**$ 29,745,000**	$ 25,670,000
CASH AND CASH EQUIVALENTS, end of year	**$ 33,655,000**	$ 29,745,000
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION		
Restricted Cash	**$ 1,805,000**	$ 1,587,000
Unrestricted cash and cash equivalents	**31,850,000**	28,158,000
	$ 33,655,000	$ 29,745,000

CITY OF NAPLES AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
September 30, 2018 and 2017

	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	**$2,148,000**	$ 1,887,000
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	**3,714,000**	3,703,000
Fuel truck depreciation in Cost of Goods Sold	**42,000**	42,000
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	**(54,000)**	2,000
Decrease (increase) in inventories	**(36,000)**	(104,000)
Decrease (increase) in prepaid expenses	**122,000**	81,000
Increase (decrease) in accounts payable	**597,000**	294,000
Increase (decrease) in compensated absences	**(67,000)**	33,000
Increase in accrued expenses and other current liabilities	**16,000**	26,000
Increase in unearned revenue - Lease Term Buy-back Program	**779,000**	-
Increase (decrease) in unearned revenue	**51,000**	59,000
Total adjustments	**5,164,000**	4,136,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$7,312,000**	$ 6,023,000
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Capital Contributions part of Asset Transfer	$ -	$ 48,000
Capital Contributions - increase in due from government agencies	$ (1,224,000)	$ (97,000)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Naples Airport Authority (the "Authority") was created under Laws of Florida 69-1326, as amended, as an independent authority responsible for the operation of the airport located in Naples, Florida, or any other airport in Collier County, Florida, which the Authority may contract to operate. The City of Naples, recognizing the benefits of an authority-type management concept, established the Authority in 1969 for the purpose of enhancing service to users, improving the community gateway image and eliminating financial subsidies by City taxpayers. Commissioners of the Authority are appointed by the Naples City Council. (Also see Note 11 - Related Party Transactions).

Governmental Accounting Standards Board (GASB) Statement Number 61, "Financial Reporting Entity", requires the financial statements of the Authority (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the officials of the primary government are financially accountable. Based on the criteria established in generally accepted accounting principles, there are no component units required to be included in the Authority's financial statements.

B. Basis of presentation

The Authority uses enterprise fund accounting to report its activities. An enterprise fund is a proprietary fund used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

C. Measurement focus

The Authority is accounted for on an "economic resources" measurement focus. Accordingly, all assets and liabilities are included on the statement of Net Position, and the reported Net Position (total reported assets less total reported liabilities) provides an indication of the economic net worth of the Authority. The operating statement reports increases (revenues) and decreases (expenses) in total economic net worth.

D. Basis of accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Authority uses the accrual basis of accounting. Under this method, revenues are recognized when they are earned; expenses are recognized when they are incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary process

The budget is adopted by Resolution of the Board of Commissioners and amendments, if any, are also approved by the Board of Commissioners. The budget is adopted consistent with Generally Accepted Accounting Principles (GAAP) except that, in order to clarify the Authority's intent to present total expenses and expenditures, capital projects are included as expenditures and depreciation and amortization are excluded. Expenditures cannot legally exceed the total amount of budgeted expenditures. Appropriations lapse at the fiscal year-end.

F. 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 the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

G. Assets, liabilities and net position

Cash and cash equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including restricted cash assets) with a maturity of three months or less when purchased to be cash equivalents.

When both restricted and unrestricted resources are available, restricted resources will be used first for eligible incurred expenses, and then unrestricted as needed.

Accounts receivable

The Authority's accounts receivable are recorded net of allowance for doubtful accounts. At September 30, 2018 and 2017 the allowance was $9,100 and $8,100, respectively.

Inventories

Inventories, consisting of aviation fuel and other petroleum products held for sale, are stated at the lower of cost (first-in, first-out method) or market.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, liabilities and net position (continued)

Capital assets

Capital assets include property, plant, equipment, infrastructure and intangible assets. Infrastructure assets are defined as public domain capital assets such as roads, drainage systems, lighting systems, runways, and similar assets that are immovable and of value only to the government unit. Intangible assets are without physical substance that provide economic benefits through the rights and privileges associated with their possession. Intangible assets may be classified as identifiable or unidentifiable and externally acquired or internally developed. The threshold for capitalization is $2,000. Capital assets purchased for use in the operations of the Authority are recorded at cost. Interest on borrowed funds for construction projects is capitalized as part of the cost of construction along with all other direct construction costs. Contributed property and equipment are recorded at fair market value at the date of contribution. Expenditures for maintenance, repairs, and minor renewals are expensed as incurred. Major renewals and enhancements are capitalized. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts, and any gain or loss on disposition is credited or charged to earnings. Donated capital assets, donated works of art and similar items and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are determined based upon the Authority's experience with similar assets and its planned use of those assets.

The ranges of the estimated useful lives are as follows:

Assets	Years
Infrastructure	10 – 40
Buildings & Improvements	15 – 40
Equipment	3 – 30
Improvements other than buildings	5 – 15
Vehicles	5 – 10
Intangible	3 – 7
Furniture and office equipment	3 – 5
Software	3 – 5

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, liabilities and net position (continued)

Compensated absences

Employees accrue vacation time for each week of service. The amount of time accrued by each employee varies with length of employment and whether they are full-time or part-time employees. The Authority allows employees to carry over into subsequent fiscal years up to 340 hours of vacation time. Upon leaving the employ of the Authority, employees are paid 100% of their accrued vacation time. Employees receive up to 10 sick days per year depending on whether they are full- or part-time employees. The Authority allows employees to carry over into subsequent fiscal years up to 600 hours of sick time.

Employees exceeding 600 hours will be paid 50% of the sick hours exceeding the 600 hours annually. Upon leaving the employ of the Authority, employees with at least seven years of service will be paid 50% of their available sick hours.

In accordance with generally accepted accounting principles, employee benefits under these policies, plus their related tax and retirement costs, are classified as compensated absences and are accrued for as incurred.

Unearned revenue

The Authority offers a reduced fuel price to customers who pay for aviation fuel in advance. The prepayments are recorded as a liability when received and the liability is reduced as the associated revenues are earned. The Authority also introduced a "Lease-Term Buy-back" program in 2015, the proceeds of which are recorded as unearned revenue. Revenues are earned over the term of the lease extension.

Net position

Net position is categorized as investment in capital assets, restricted and unrestricted. Restriction of net position indicates amounts that are limited for a specific purpose.

H. Revenues and expenses

Operating revenues and expenses

Operating revenues and expenses for enterprise funds are those that result from providing services and producing and delivering goods. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-operating revenues and expenses

Non-operating revenues and expenses represent revenue and expense items that are not incurred from the normal user activity of the Authority. This classification includes revenue received from operating grants, customer facility charges, surcharges for specific capital improvement expenditures, interest earned on bank accounts, realized gain (loss) on investments, finance charge revenue, claims and insurance settlements and the gain or loss on the sale or disposal of Authority property.

I. Capital contributions

Capital contributions consist primarily of grants and contributions from Federal and state governmental agencies. Capital contributions are recognized as earned as related project costs are incurred. Donated property is recognized when received.

NOTE 2 - CASH, CASH EQUIVALENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. In accordance with its policy, all Authority depositories are banks designated by the Florida State Chief Financial Officer (CFO) as qualified public depositories. Chapter 280 of the Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the CFO as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and non-negotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the CFO eligible collateral having a market value equal to or in excess of the average daily balance of public deposits times the depository collateral pledging level required pursuant to Chapter 280 as computed and reported monthly or 125 percent of the average monthly balance, whichever is greater. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the Authority is not exposed to custodial credit risk.

With the nonnegotiable certificate of deposit, there is no document that, if lost or stolen, would affect the Authority's rights to its assets.

NOTE 2 - CASH, CASH EQUIVALENTS (Continued)

Investments

The Authority limits its investments to those allowed under Section 218.415(17) (a) – (d), Florida Statutes, which include: the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, SEC-registered money market funds, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the U.S. Treasury. The Authority does not have a policy related to credit risk or interest rate risk. The Authority did not hold any investments in either fiscal years 2018 nor 2017.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the years ended September 30, 2018 is as follows:

Fiscal Year 2018	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated:				
Land	$ 2,974,000	-	-	$ 2,974,000
Construction in progress	2,568,000	4,411,000	3,505,000	3,474,000
Total capital assets not being depreciated	5,542,000	4,411,000	3,505,000	6,448,000
Capital Assets being depreciated:				
Infrastructure	57,360,000	2,932,000	-	60,292,000
Buildings	25,603,000	525,000	-	26,128,000
Equipment	7,951,000	462,000	-	8,413,000
Improvements other than building	6,050,000	-	-	6,050,000
Vehicles	1,063,000	82,000	-	1,145,000
Intangible	1,261,000	17,000	-	1,278,000
Software	534,000	-	-	534,000
Furniture and office equipment	950,000	13,000	-	963,000
Total capital assets being depreciated	100,772,000	4,031,000	-	104,803,000
Less accumulated depreciation for:				
Infrastructure	23,898,000	2,198,000	-	26,096,000
Buildings	10,297,000	787,000	-	11,084,000
Equipment	5,938,000	375,000	-	6,313,000
Improvements other than building	1,631,000	120,000	-	1,751,000
Vehicles	946,000	43,000	-	989,000
Intangible	984,000	6,000	-	990,000
Software	146,000	109,000	-	255,000
Furniture and office equipment	537,000	117,000	-	654,000
Total accumulated depreciation	44,377,000	3,755,000	-	48,132,000
Total capital assets being depreciated, net	56,395,000	276,000	-	56,671,000
Total capital assets, net	$ 61,937,000	$ 4,687,000	$ 3,505,000	$ 63,119,000

In 2018, reported depreciation expense totals $3,714,000. Two fuel trucks were placed into service in October of 2014. The related depreciation of $41,000 was recorded as "Cost of Goods Sold" in FY 2018.

NOTE 3 - CAPITAL ASSETS (Continued)

A summary of changes in capital assets for the year ended September 30, 2017 is as follows:

Fiscal Year 2017	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated:				
Land	$ 2,974,000	$ -	$ -	$ 2,974,000
Construction in progress	1,535,000	3,525,000	2,492,000	2,568,000
Total capital assets not being depreciated	4,509,000	3,525,000	2,492,000	5,542,000
Capital Assets being depreciated:				
Infrastructure	55,621,000	1,741,000	2,000	57,360,000
Buildings	25,574,000	29,000	-	25,603,000
Equipment	7,706,000	265,000	20,000	7,951,000
Improvements other than building	4,960,000	1,090,000	-	6,050,000
Vehicles	1,063,000	-	-	1,063,000
Intangible	1,243,000	18,000	-	1,261,000
Software	353,000	181,000	-	534,000
Furniture and office equipment	763,000	193,000	6,000	950,000
Total capital assets being depreciated	97,283,000	3,517,000	28,000	100,772,000
Less accumulated depreciation for:				
Infrastructure	21,790,000	2,111,000	3,000	23,898,000
Buildings	9,525,000	772,000	-	10,297,000
Equipment	5,423,000	523,000	8,000	5,938,000
Improvements other than building	1,525,000	106,000	-	1,631,000
Vehicles	899,000	47,000	-	946,000
Intangible	978,000	6,000	-	984,000
Software	54,000	92,000	-	146,000
Furniture and office equipment	453,000	88,000	4,000	537,000
Total accumulated depreciation	40,647,000	3,745,000	15,000	44,377,000
Total capital assets being depreciated, net	56,636,000	(228,000)	13,000	56,395,000
Total capital assets, net	$ 61,145,000	$ 3,297,000	$ 2,505,000	$ 61,937,000

In 2017, reported depreciation expense totals $3,703,000. Two fuel trucks were placed into service in October of 2014. The related depreciation of $42,000 was recorded as "Cost of Goods Sold" in FY 2017.

NOTE 4 - UNEARNED REVENUE – LEASE TERM BUY-BACK PROGRAM PAYMENTS

In 2015, the Authority offered a lease term buy-back program to all existing aviation land lease tenants. This program benefited the leaseholders in that they could more readily secure financing or find a potential buyer of the property under lease due to an extended lease period. The tenant could enter into a new land lease for an extended period for an amount based on current values. The amount was paid upfront and is accounted for as a long-term liability (unearned revenue) and will be earned over the years beyond the term of the initial lease.

NOTE 5 - CHANGES IN NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the years ended September 30 were as follows:

Fiscal Year 2018	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated absences	$ 463,000	$ -	$ (67,000)	$ 396,000	$ 40,000
Unearned revenue Lease Term Buy Back program	3,890,000	779,000	-	4,669,000	-
Total noncurrent liabilities	$ 4,353,000	$ 779,000	$ (67,000)	$ 5,065,000	$ 40,000

Fiscal Year 2017	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated absences	$ 430,000	$ 60,000	$ (27,000)	$ 463,000	$ 86,000
Unearned revenue Lease Term Buy Back program	3,890,000	-	-	3,890,000	-
Total noncurrent liabilities	$ 4,320,000	$ 60,000	$ (27,000)	$ 4,353,000	$ 86,000

NOTE 6 - RENTAL REVENUE UNDER OPERATING LEASES

The Authority subleases land and leases certain buildings and office space to various tenants with lease terms extending out to 2047. Certain leases include both fixed minimum rentals and contingent rentals based on gross receipts. Minimum future rentals under non-cancelable operating leases as of September 30, 2018 are as follows:

Year Ending September 30,	Amount
2019	$ 1,301,000
2020	1,301,000
2021	939,000
2022	778,000
2023	732,000
Thereafter	11,143,000
Total	$ 16,194,000

NOTE 6 - RENTAL REVENUE UNDER OPERATING LEASES (Continued)

Minimum lease payments do not include contingent rentals which may be received under certain leases based on a percentage of the tenants' sales revenues. The contingent rentals for the year ended September 30, 2018 and 2017 were $737,000 and $682,000, respectively, and were reported as concession fees in the Statement of Revenues, Expenses and Changes in Net Position.

Following is a summary of assets on lease for the years ended September 30:

	2018	2017
Hangar	$13,365,000	$13,365,000
Other buildings	2,659,000	2,659,000
Total cost	16,024,000	16,024,000
Less accumulated depreciation	(7,826,000)	(7,341,000)
Net carrying amount	$ 8,198,000	$ 8,683,000

Depreciation for the assets on lease was $485,000 and $489,000 for the years ended September 30, 2018 and 2017 respectively.

NOTE 7 - RETIREMENT PLAN

The City of Naples Airport Authority ICMA Retirement Corporation Governmental Money Purchase Plan and Trust is a defined contribution retirement plan for the benefit of its employees. The plan is for full-time employees and has eligibility provisions with required retirement funding percentages applied to the salaries of those participating. Retirement contribution expense for the years ended September 30, 2018 and 2017 was $235,000 and $249,000, respectively. The Authority has reserved the right to establish and amend all plan provisions. The contribution requirements of plan members and the Authority are established and may be amended by the Authority. The Authority's total salaries and wages on September 30, 2018 and 2017 was $4,336,000 and $4,174,000, and its covered payroll was $3,917,000 and $3,870,000 respectively.

The plan has fewer than 100 participants and does not issue a separate audited financial report. The post-employment retirement benefit plan is administered by ICMA-RC, Washington, DC.

NOTE 8 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Insurance coverage for such losses is purchased from commercial insurance companies. The financial impact of the Authority's risk management activities are reported in the accompanying financial statements. For the years ended September 30, 2018 and 2017, the Authority paid $446,000 and $425,000, respectively, in premiums for policies to insure for these risks. No accrual has been provided for claims and incidents not reported to insurers. All known claims have been reported to the insurers. Claims made have not exceeded the insurance coverage for any of the past twelve fiscal years.

In September 2017, the airport received damage from Hurricane Irma that made landfall just south of Naples, Florida. The airport had approximately $1.9 million in damages, mainly to aircraft hangers. The Authority expects insurance proceeds to cover all but the deductible of approximately $350,000. As of September 30, 2018, insurance proceeds of $500,000 have been received and recorded in claims and insurance settlements. We expect the claim to be settled in FY 2019.

NOTE 9 - CUSTOMER FACILITY CHARGES

A $2.50 per day customer facility charge (CFC) is charged for all car rentals at the airport. Per the airport's agreements with the rental car companies, the amounts are restricted to be used for rental car facilities at the airport. For the years ended September 30, 2018 and 2017, the Authority collected $214,000 and $212,000, respectively. The restricted balance at September 30, 2018 and 2017 was $1,805,000 and $1,597,000, respectively. This amount is also recorded in restricted cash.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Airport is located on an area of approximately 732 acres of which 640 acres is leased land. The Authority holds a ninety-nine year lease from the City of Naples, which allows the Authority to use and sublet the land. The lease requires annual payments of one dollar. The lease expires in 2069. The Authority prepaid this lease in January 1997.

The City provides certain services to the Authority including firefighting personnel, fire truck maintenance, police services and utilities. Total expense incurred by the Authority during the years ended September 30, 2018 and 2017 for these services were $658,000 and $592,000, respectively.

The City leases approximately 16 acres of a former landfill site from the Authority to use as a garbage collection and recycle transfer facility. In lieu of rent, the City provides recyclable material collection services and post-disaster recovery assistance.

NOTE 11 - CAPITAL CONTRIBUTIONS

Since its inception, the Authority has received capital contributions through federal and state grants and from the City of Naples, Collier County and other parties as follows:

	Year Ended 2018	Inception to date
Federal	$ 597,000	$ 41,925,000
State	1,329,000	17,247,000
City of Naples	-	202,000
Collier County	-	163,000
Other	-	5,488,000
Total	$ 1,926,000	$ 65,025,000

NOTE 12 - COMMITMENTS AND CONTINGENCIES

At September 30, 2018, the Authority had in process various construction, consulting and engineering contracts totaling $6,609,000. Expenditures on these contracts were $3,230,000, leaving commitments of up to $3,679,000.

The Authority is currently receiving, and has received in the past, grants which are subject to special compliance audits by the grantor agency, which may result in disallowed expense amounts. These amounts would constitute a contingent liability of the Authority. The Authority does not believe any contingent liabilities to be material.

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STATISTICAL SECTION

This part of the City of Naples Airport Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents **Page**

Financial Trends 40

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity 42

These schedules contain information to help the reader to assess the Authority's most significant revenue source, aviation fuel sales.

Debt Capacity 44

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information 44

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information 45

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs.

Miscellaneous Information 50

This schedule provides the reader with information on the sources of the Authority's contributed capital.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF NAPLES AIRPORT AUTHORITY
NET POSITION BY COMPONENT, LAST TEN FISCAL YEARS

NET POSITION BY COMPONENT, LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Investment in Capital Assets	$45,749,000	$48,533,000	$51,583,000	$51,179,000	$52,132,000	$55,323,000	$60,372,000	$60,738,000	$61,937,000	$62,771,000
Restricted	176,000	288,000	471,000	479,000	612,000	928,000	1,173,000	1,381,000	1,587,000	1,805,000
Unrestricted	11,944,000	12,967,000	12,784,000	14,103,000	15,032,000	17,763,000	17,185,000	19,071,000	21,899,000	26,154,000
Total net position	$57,869,000	$61,788,000	$64,965,000	$65,761,000	$67,776,000	$74,014,000	$78,730,000	$81,190,000	$85,423,000	$90,730,000

CITY OF NAPLES AIRPORT AUTHORITY
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS

CHANGES IN NET POSITION, LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OPERATING REVENUES										
Fuel sales (net)	$ 5,813,000	$ 5,880,000	$ 6,441,000	$ 6,512,000	$ 6,580,000	$ 7,905,000	$ 8,310,000	$ 8,786,000	$ 9,334,000	$ 10,202,000
Concession fees	573,000	541,000	598,000	623,000	692,000	732,000	810,000	716,000	682,000	737,000
Hangar/T-shelter/tiedown	1,618,000	1,559,000	1,661,000	1,718,000	2,008,000	2,268,000	2,439,000	2,413,000	2,515,000	2,597,000
Building and land rent	989,000	958,000	958,000	1,020,000	1,023,000	1,221,000	1,256,000	1,327,000	1,388,000	1,385,000
Line services	301,000	379,000	419,000	423,000	697,000	639,000	738,000	698,000	731,000	771,000
U.S. Customs user fees	-	-	103,000	163,000	174,000	251,000	277,000	311,000	357,000	442,000
Other	8,000	35,000	17,000	16,000	9,000	5,000	15,000	28,000	19,000	101,000
Net operating revenues	9,302,000	9,332,000	10,200,000	10,475,000	11,183,000	13,021,000	13,845,000	14,279,000	15,026,000	16,235,000
OPERATING EXPENSES										
Personnel	3,967,000	3,742,000	3,992,000	4,219,000	4,090,000	4,556,000	4,982,000	5,385,000	5,828,000	5,916,000
Professional fees	355,000	514,000	602,000	452,000	684,000	628,000	706,000	783,000	811,000	1,212,000
Communications	102,000	62,000	126,000	102,000	148,000	185,000	121,000	199,000	151,000	129,000
Insurance	512,000	443,000	443,000	480,000	496,000	447,000	464,000	461,000	449,000	446,000
Utilities and environmental	342,000	292,000	284,000	274,000	262,000	277,000	251,000	265,000	274,000	367,000
Office/postage/printing	32,000	38,000	37,000	35,000	69,000	126,000	134,000	116,000	83,000	108,000
ATCT, ARFF and police service	695,000	687,000	665,000	697,000	677,000	664,000	700,000	715,000	650,000	697,000
U.S. Customs and Boarder Patrol expense	-	-	342,000	299,000	279,000	317,000	309,000	295,000	313,000	336,000
Dues/subscriptions/fees	32,000	33,000	37,000	35,000	39,000	39,000	49,000	43,000	89,000	61,000
Auto gas and diesel fuel	67,000	44,000	53,000	71,000	73,000	73,000	61,000	48,000	50,000	61,000
Pilot services	27,000	47,000	51,000	55,000	53,000	50,000	68,000	64,000	112,000	125,000
Maintenance and repair	393,000	811,000	462,000	427,000	488,000	610,000	541,000	1,097,000	646,000	915,000
Hurricane recovery/repair	20,000	-	-	-	-	-	-	-	-	-
Depreciation and amortization	2,305,000	2,624,000	2,791,000	3,164,000	3,241,000	3,432,000	3,619,000	3,791,000	3,705,000	3,714,000
Total operating expenses	8,649,000	9,337,000	9,885,000	10,310,000	10,599,000	11,413,000	12,005,000	13,262,000	13,139,000	14,087,000
Operating income (loss)	653,000	(5,000)	315,000	165,000	584,000	1,608,000	1,840,000	1,017,000	1,887,000	2,148,000
NON-OPERATING REVENUES (EXPENSES)										
Customer facility charges	170,000	137,000	186,000	207,000	231,000	237,000	246,000	204,000	212,000	214,000
Interest revenue	101,000	51,000	68,000	64,000	71,000	68,000	59,000	109,000	228,000	512,000
Unrealized gain (loss) on investments	(85,000)	93,000	39,000	51,000	23,000	-	-	-	-	-
Realized gain (loss) on investment	-	-	-	-	-	(13,000)	21,000	-	-	-
Claims and Insurance Settlements -Liquidate	-	-	-	-	-	26,000	75,000	6,000	(43,000)	507,000
Grant revenue	-	-	-	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	3,000	-	-	-	-	-
Interest expense	(31,000)	(30,000)	(29,000)	(28,000)	(16,000)	-	-	-	-	-
Contribution of capital asset to government agency	-	-	-	(50,000)	-	-	-	-	-	-
Gain (Loss) on disposal of capital assets	9,000	7,000	3,000	3,000	20,000	4,000	5,000	(16,000)	12,000	-
Total non-operating revenues (expenses)	167,000	258,000	267,000	247,000	332,000	322,000	406,000	303,000	409,000	1,233,000
Income (loss) before capital contributions	820,000	253,000	582,000	412,000	916,000	1,930,000	2,246,000	1,320,000	2,296,000	3,381,000
Capital contributions	7,354,000	3,666,000	2,595,000	384,000	1,099,000	4,308,000	2,470,000	1,140,000	1,937,000	1,926,000
Change in net position	$ 8,174,000	$ 3,919,000	$ 3,177,000	$ 796,000	$ 2,015,000	$ 6,238,000	$ 4,716,000	$ 2,460,000	$ 4,233,000	$ 5,307,000

CITY OF NAPLES AIRPORT AUTHORITY
FUEL SALES, LAST TEN FISCAL YEARS

AVERAGE AVIATION FUEL MARGINS (PER GALLON)

	Jet A					100 Low Lead			
Fiscal Year	Flowage	Full Service	Prepaid Full Service	Annual Volume Discount	Scheduled Airline	Full Service	Prepaid Full Service	Public Self Fueling	Scheduled Airline
2009	$0.30	$1.88	$1.29	$1.20	$0.00	$1.09	$0.80	$0.78	$0.17
2010	-	1.97	1.34	1.25	-	0.90	0.75	0.52	-
2011	0.30	1.97	1.34	1.25	-	0.94	0.76	0.55	-
2012	0.30	2.02	1.30	1.18	-	0.93	0.75	0.53	-
2013	0.30	2.01	1.29	1.17	-	0.91	0.76	0.53	-
2014	0.30	2.01	1.28	1.02	-	0.79	0.42	0.64	-
2015	0.30	1.96	1.24	0.99	-	0.81	0.50	0.59	-
2016	0.30	1.93	1.23	1.00	-	0.90	0.51	0.74	-
2017	0.30	1.99	1.24	0.99	-	0.90	0.46	0.82	-
2018	$0.30	$2.00	$1.23	$0.98	-	$0.81	$0.75	$0.49	-

AVIATION FUEL SALES (GALLONS)

	Jet A						100 Low Lead				
Fiscal Year	Flowage	Full Service	Prepaid Full Service	Annual Volume Discount	Scheduled Airline	Total	Full Service	Prepaid Full Service	Public Self Fueling	Scheduled Airline	Total
2009	455,104	1,381,586	1,129,922	1,251,958	-	4,218,570	122,045	227,698	41,535	2,540	393,818
2010	417,749	1,280,427	1,141,723	1,331,142	-	4,171,041	122,531	154,119	43,342	-	319,992
2011	464,992	1,592,831	1,093,734	1,407,793	-	4,559,350	118,531	136,559	71,032	-	326,122
2012	477,521	1,544,348	1,247,745	1,422,233	-	4,691,847	128,035	129,737	97,103	-	354,875
2013	396,364	1,650,051	1,318,861	1,272,369	-	4,637,645	150,996	122,402	114,609	-	388,006
2014	292,832	2,062,984	1,609,354	1,774,311	-	5,739,481	146,327	113,920	117,721	-	377,968
2015	248,968	2,279,122	1,568,159	1,923,026	-	6,019,275	143,677	117,437	130,333	-	391,447
2016	252,568	2,458,314	1,535,659	2,086,491	37,509	6,370,541	158,993	106,487	115,206	-	380,686
2017	250,014	2,496,936	1,623,734	2,342,272	13,684	6,726,640	176,266	111,583	101,192	-	389,040
2018	229,921	2,584,903	2,124,407	2,492,618	-	7,431,849	185,775	142,249	76,800		404,824

AVIATION FUEL SALES (NET REVENUE)

	Jet A						100 Low Lead				
Fiscal Year	Flowage	Full Service	Prepaid Full Service	Annual Volume Discount	Scheduled Airline	Total	Full Service	Prepaid Full Service	Public Self Fueling	Scheduled Airline	Total
2009	$135,937	$2,598,651	$1,454,081	$1,504,865	$0	$5,693,534	$133,625	$181,976	$32,486	$421	$348,508
2010	125,323	2,519,840	1,532,421	1,667,402	-	5,844,986	110,232	116,228	22,731	-	249,191
2011	138,308	3,137,801	1,461,453	1,760,216	-	6,497,778	111,202	103,734	38,892	-	253,828
2012	141,770	3,112,119	1,620,039	1,685,166	-	6,559,094	118,662	97,491	51,929	-	268,082
2013	118,909	3,314,626	1,703,302	1,491,478	-	6,628,315	137,658	92,558	60,698	-	290,914
2014	87,850	4,146,860	2,057,286	1,810,718	-	8,102,714	115,526	47,680	75,025	-	238,231
2015	74,690	4,470,681	1,948,108	1,902,027	-	8,395,506	116,885	59,284	76,947	-	253,116
2016	75,770	4,752,120	1,885,624	2,094,370	4,281	8,812,165	142,936	53,979	84,967	-	281,882
2017	75,004	4,978,267	2,007,046	2,318,907	1,471	9,380,695	158,927	50,956	83,048	-	292,931
2018	$69,352	$5,158,618	$2,609,597	$2,432,460	$0	$10,270,027	$150,352	$106,750	$37,980	-	$295,082

Source: Authority's Finance Department records

Notes: The Executive Director is authorized to adjust fuel charges at any time, with or without notice.
The Authority's fuel charges to customers are based on a cost plus formula (cost of fuel + margin).
The Authority offers various fuel programs to meet Airport customers' needs.
Aviation fuel sales (net revenue) does not include aviation oil sales, non-aviation fuel sales, fuel truck rental and credit card fees.
These are included in Fuel sales (net) as show on the Statement of Revenues, Expenses and Changes in Net Position.

CITY OF NAPLES AIRPORT AUTHORITY
PRINCIPAL CUSTOMERS, LAST TEN FISCAL YEARS

PRINCIPAL CUSTOMERS - BY GROSS SALES
For the Years Ended September 30,

	2018		2009	
Company	Gross Sales	% of Total Authority Fuel Sales	Gross Sales	% of Total Authority Fuel Sales
1 Net Jets	$ 5,497,415	18.5%	$ 2,681,942	14.5%
2 Flexjet	1,982,043	6.7%	603,398	3.3%
3 Naples Jet Center	1,233,992	4.1%		
4 Elite Jets Charter, LLC	843,323	2.8%		
5 Delta Private Jets	701,995	2.4%		
6 Travel Management Company	449,441	1.5%		
7 Exclusive Jets	374,105	1.3%		
8 Xojet	335,951	1.1%		
9 Wheels Up/Gama Aviation	286,251	1.0%		
10 Jet Linx Aviation	226,775	0.8%		
Citation Shares			572,244	3.1%
Naples Air Center			394,265	2.1%
Sentient Jet			355,306	1.9%
Avis Rent-A -Car System			305,178	1.7%
JetChoice			286,427	1.6%
ASG			281,027	1.5%
Mercury Air Group - Flight Options			277,999	1.5%
Hertz Corporation			264,234	1.4%
	$ 11,931,291	40.2%	$6,022,020	32.6%

Source: Authority's accounting records

PRINCIPAL CUSTOMERS - BY AVIATION FUEL GALLONS
For the Years Ended September 30,

	2018		2009	
Company	Gallons	% of Total Authority Gallons	Gallons	% of Total Authority Gallons
1 Net Jets	1,625,971	22.6%	798,426	17.3%
2 Flexjet	559,452	7.8%	172,066	3.7%
3 Naples Jet Center	277,516	3.9%		
4 Elite Jets Charter	234,050	3.2%		
5 Delta Private Jets	186,811	2.6%		
6 Travel Management Company	120,384	1.7%		
7 Exclusive Jets LLC	102,889	1.4%		
8 Xojet	85,486	1.2%		
9 Wheels Up/Gama Aviation	72,270	1.0%		
10 Jet Linx Aviation	58,629	0.8%		
Health Management Associates			221,294	4.8%
Citation Shares			168,955	3.7%
Naples Air Center			104,007	2.3%
Sentient Jet			101,748	2.2%
ASG			81,105	1.8%
Mercury Air Group - Flight Options			80,926	1.8%
Jet Choice			78,660	1.7%
Naples Airport Properties			70,802	1.5%
	3,323,458	46.1%	1,877,989	40.8%

Source: Authority's accounting records

CITY OF NAPLES AIRPORT AUTHORITY
DEBT LIMITATIONS AND DEMOGRAPHIC AND ECONOMIC INDICATORS
LAST TEN FISCAL YEARS

DEBT LIMITATIONS

Fiscal Year	Debt Limit	Total Outstanding Debt	Ratio of Debt to Debt Limit
2009	$15,000,000	-	0.0%
2010	15,000,000	-	0.0%
2011	15,000,000	-	0.0%
2012	15,000,000	-	0.0%
2013	15,000,000	-	0.0%
2014	15,000,000	-	0.0%
2015	15,000,000	-	0.0%
2016	15,000,000	-	0.0%
2017	15,000,000	-	0.0%
2018	$15,000,000	-	0.0%

Source: Authority's enabling legislation and financial statements

Note: The Authority's debt limit is set by the Legislature of the State of Florida.

DEMOGRAPHIC AND ECONOMIC INDICATORS

	City of Naples			Collier County			Metropolitan Statistical Area
Year	Population	Personal Income *(thousands of dollars)*	Per Capita Personal Income	Population	Personal Income *(thousands of dollars)*	Per Capita Personal Income	Unemployment Rate
2008	22,556	$ 1,393,690	$ 79,315	332,854	$ 17,990,169	$ 57,446	6.9%
2009	21,651	1,369,989	76,708	333,032	19,846,737	63,276	10.9%
2010	22,390	1,368,953	75,910	331,800	19,739,453	62,559	11.6%
2011	19,537	1,171,927	74,862	321,520	19,127,928	60,049	10.3%
2012	19,939	1,641,299	82,316	323,785	19,446,631	59,264	9.3%
2013	20,115	1,685,597	83,798	329,849	20,075,468	60,391	7.2%
2014	20,537	1,646,164	80,156	339,642	22,033,344	64,872	6.2%
2015	20,968	1,776,430	84,721	348,777	24,571,667	73,869	5.2%
2016	21,898	1,940,338	88,608	365,136	25,763,656	78,473	4.8%
2017	22,041	$ 1,980,648	$ 89,862	360,846	$ 30,708,249	$ 84,101	3.6%

Sources: Population, personal income and per capita personal income for City of Naples provided by City of Naples, Florida, Comprehensive Annual Financial Report, 2016
Population, personal income and per capita personal income for Collier County provided by Collier County, Florida, Comprehensive Annual Financial Report, 2016
Unemployment information provided by the U.S. Department of Labor, Bureau of Labor Statistics.

CITY OF NAPLES AIRPORT AUTHORITY
PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS

PRINCIPAL EMPLOYERS

	2017			2008		
Employer	**Rank**	**Number of Employees**	**Percent of Total County Employment**	**Rank**	**Number of Employees**	**Percent of Total County Employment**
Collier County Public Schools	1	5,523	3.86%	1	6,685	5.59%
NCH Healthcare System	2	4,315	3.02%	2	3,307	2.52%
Collier County Government (excl. Sheriff)	3	2,270	1.59%	3	2,984	2.50%
Arthrex, Inc	4	2,250	1.57%		-	-
Collier County Sheriffs's office	5	1,405	0.98%	6	1,273	1.07%
Publix Supermarkets	6	1,247	0.87%	4	2,214	1.85%
Ritz Carlton Hotel	7	1,100	0.77%		-	-
Seminole Casino- Immokalee	8	1,000	0.70%		-	-
JW Marriott - Marco Island	9	870	0.61%	7	743	0.62%
Naples Grande Beach Resort	10	235	0.16%	9	605	0.51%
Other employers		122,901	85.87%		101,978	85.34%
Totals		143,116	100.00%		119,789	100.00%

Source: Collier County, Florida, Comprehensive Annual Financial Report, 2017

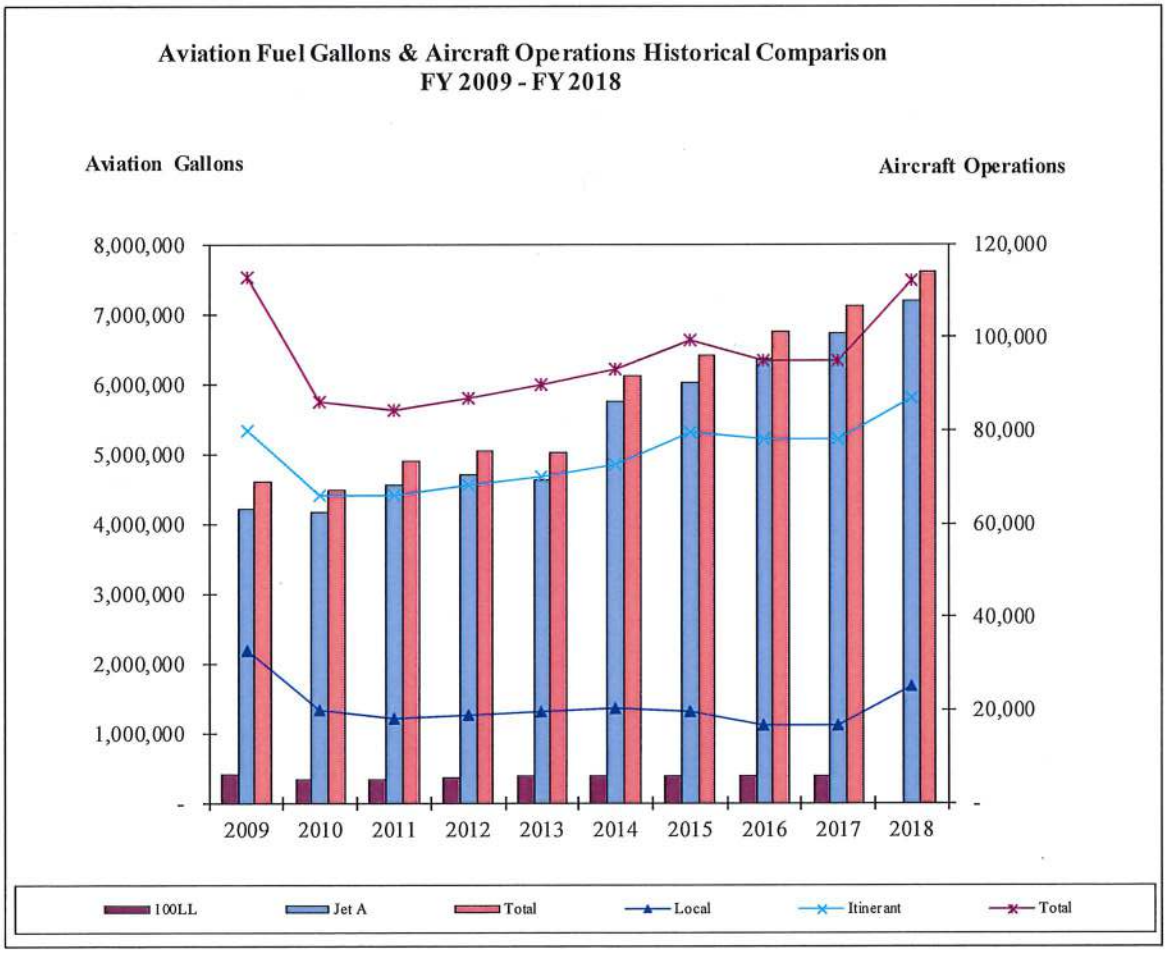
Note: Data on Principal Employers for 2017 not yet available.

CITY OF NAPLES AIRPORT AUTHORITY
AVIATION FUEL AND AIRCRAFT OPERATIONS STATISTICS
LAST TEN FISCAL YEARS

AVIATION FUEL AND AIRCRAFT OPERATIONS STATISTICS

Fiscal	Aviation Fuel Gallons			Aircraft Operations		
Year	100LL	Jet A	Total	Local	Itinerant	Total
2009	393,819	4,218,570	4,612,389	32,885	80,018	112,903
2010	319,992	4,171,041	4,491,033	20,029	66,158	86,187
2011	326,122	4,563,303	4,889,425	18,323	66,016	84,339
2012	354,926	4,691,847	5,046,773	18,835	68,243	87,078
2013	388,006	4,637,645	5,025,651	19,537	70,242	89,779
2014	377,967	5,739,481	6,117,448	20,256	72,848	93,104
2015	391,446	6,019,275	6,410,721	19,798	79,771	99,569
2016	380,686	6,370,541	6,751,227	16,864	78,186	95,050
2017	387,750	6,726,640	7,114,390	16,798	78,220	95,018
2018	404,823	7,201,928	7,606,751	25,157	86,983	112,140

Source: Authority's Operations and Finance Department records

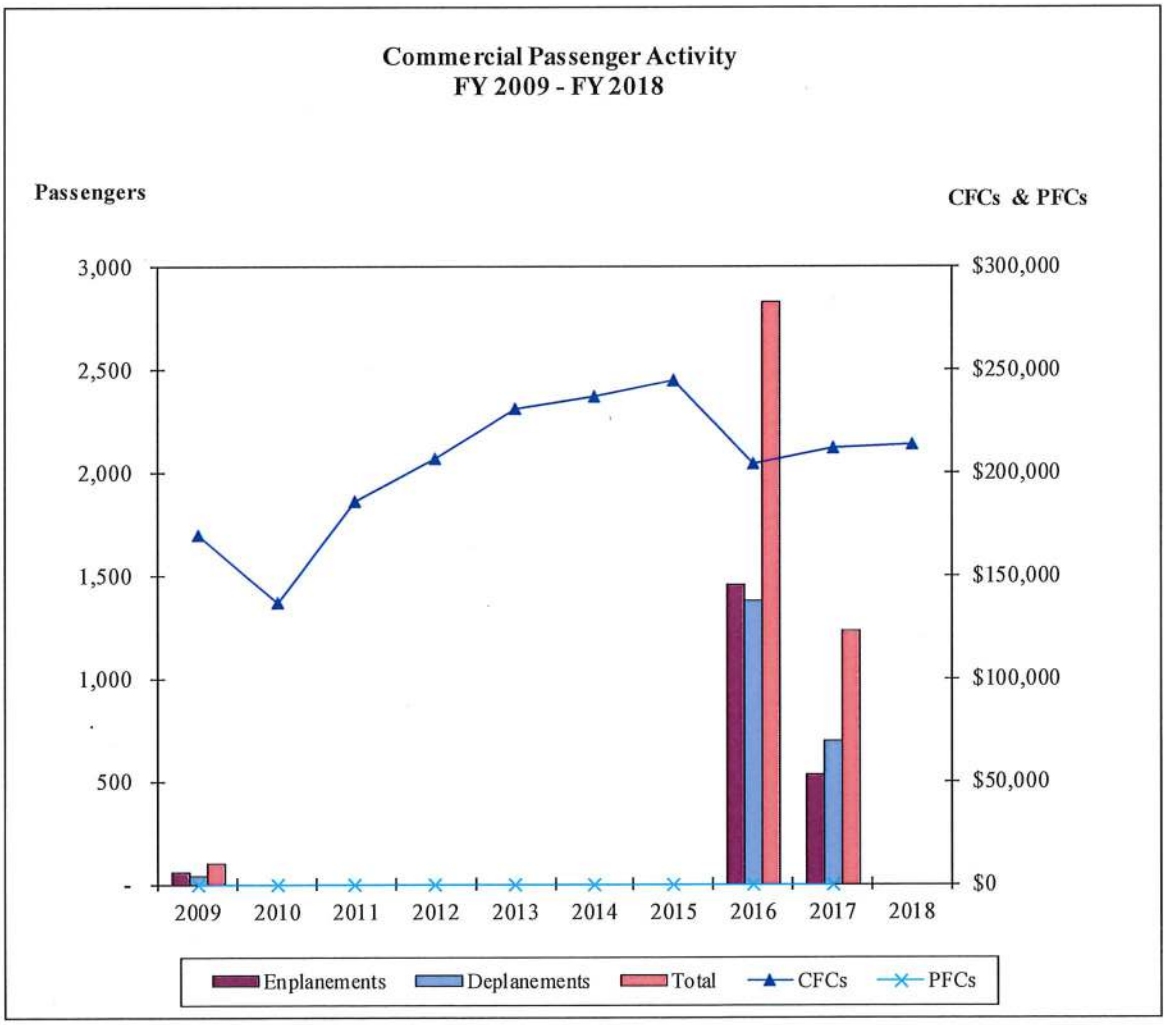


CITY OF NAPLES AIRPORT AUTHORITY
COMMERCIAL PASSENGER STATISTICS
LAST TEN FISCAL YEARS

COMMERCIAL PASSENGER STATISTICS

Fiscal Year	Enplanements	Deplanements	Total	CFCs	PFCs
2009	56	41	97	170,000	-
2010	-	-	-	137,000	-
2011	-	-	-	186,000	-
2012	-	-	-	207,000	-
2013	-	-	-	231,000	-
2014	-	-	-	237,000	-
2015	-	-	-	245,000	-
2016	1,452	1,377	2,829	204,000	-
2017	528	699	1,227	212,000	-
2018	-	-	-	214,000	

Source: Authority's Operations and Finance Department records



CITY OF NAPLES AIRPORT AUTHORITY
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Customer Service	30.6	29.7	31.0	30.7	30.3	35.4	38.6	39.4	37.0	36.0
Operations	2.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Airport Development	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Facilities & Custodial	16.9	18.0	16.9	16.7	16.5	17.0	17.2	18.1	16.0	19.0
Security	3.7	2.8	2.8	3.5	2.9	2.0	1.8	2.1	2.0	2.0
Administration	6.5	6.6	6.8	6.1	6.1	6.2	7.0	7.3	7.0	4.0
Executive	1.9	2.0	3.0	3.9	3.0	2.9	3.0	4.0	5.0	7.0
TOTAL EMPLOYEES	**63.9**	**63.1**	**64.5**	**64.9**	**62.8**	**67.5**	**71.6**	**74.9**	**71.0**	**72.0**

Source: Authority's payroll records

CITY OF NAPLES AIRPORT AUTHORITY
AIRPORT INFORMATION
LAST TEN FISCAL YEARS

AIRPORT INFORMATION

Airport Name:	Naples Municipal Airport
Airport Identifier:	APF
Location:	2 nautical miles northeast of City of Naples business district
Elevation:	9 feet
ARP Latitude:	26° 9' 8.93" N
ARP Longitude:	81° 46' 31.61' W

Acres (+/-):

Leased from City	640
Owned by Authority	92

Air Traffic Control Tower: Contract Tower
U.S. Customs & Border Protection User Fee

Runways:

05/23	Asphalt	5800 ft. X 150 ft.
14/32	Asphalt	5000 ft. X 100 ft.
SW/NE	Turf	1850 ft. X 100 ft.

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Air Carrier Terminal:										
Area (sq. ft.)	21,190	21,190	21,190	21,190	21,190	21,190	21,190	21,190	21,190	21,190
Gates	5	5	5	5	5	5	5	5	5	5
Parking (spaces)	540	540	540	540	540	540	540	540	540	540
Rental Car Agencies	4	4	4	4	4	4	4	4	4	4
General Aviation Terminal:										
Area (sq. ft.)	11,650	19,747	19,747	19,747	19,747	19,747	19,747	19,747	19,747	19,747
Parking (spaces)	279	274	274	274	274	274	274	274	274	274
Rental Car Agencies	3	3	3	3	3	3	3	4	4	4
Aircraft Storage:										
T-Hangars	208	208	208	208	208	208	208	208	208	208
Common Storage	1	1	2	2	4	4	4	4	4	4
T-Shelters	20	20	20	20	20	20	20	20	20	20
Tiedowns	101	134	134	134	134	134	134	134	134	134
Non-Authority Owned (units)	65	79	78	78	76	76	76	86	88	88
Based Aircraft:	396	370	398	416	317	353	331	363	383	304

Note: The FAA changed the definition of Based Aircraft in 2013
Sources: Florida Department of Transportation and Authority records

CITY OF NAPLES AIRPORT AUTHORITY
CAPITAL CONTRIBUTIONS
LAST TEN FISCAL YEARS

CAPITAL CONTRIBUTIONS

Fiscal Year	FAA Grants	FDOT Grants	Collier County Contributions	City of Naples Contributions	Other Contributions	Cumulative Total
Prior to 2009	$ 22,722,661	$ 11,682,359	$ 162,976	$ 201,763	$ 3,605,105	$ 38,374,864
2009	6,568,040	752,255	-	-	34,247	45,729,406
2010	2,940,811	724,826	-	-	-	49,395,043
2011	1,723,983	-	-	-	642,079	51,761,105
2012	382,287	2,170	-	-	-	52,145,562
2013	1,040,966	57,803	-	-	-	53,244,331
2014	3,966,282	341,928	-	-	-	57,552,541
2015	436,737	1,902,645	-	-	130,512	60,022,435
2016	112,000	-	-	-	1,028,000	61,162,435
2017	1,434,756	454,099	-	-	47,865	63,099,156
2018	596,913	1,329,044	-	-	-	65,025,113
	$ 41,925,436	$ 17,247,129	$ 162,976	$ 201,763	$ 5,487,809	$ 65,025,113

Source: Authority's financial statements and accounting records

MSL
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
City of Naples Airport Authority
Naples, Florida

DRAFT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements, as listed in the table of contents, of the City of Naples Airport Authority (the "Authority") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated (DATE OF REPORT).

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Commissioners
City of Naples Airport Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management in a separate letter dated (DATE OF REPORT).

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFT

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Tampa, Florida
(DATE OF REPORT)

MSL
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*

Board of Commissioners
City of Naples Airport Authority
Naples, Florida

DRAFT

Report on Compliance for Each Major State Project

We have audited the compliance of the City of Naples Airport Authority (the "Authority"), with the types of compliance requirements described in the Department of Financial Services State Projects *Compliance Supplement* that could have a direct and material effect on each of the Authority's major state projects for the year ended September 30, 2018. The Authority's major state projects is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Chapter 10.550, *Rules of the Auditor General*.

Those standards, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the Authority's compliance.

Board of Commissioners
City of Naples Airport Authority

Opinion on Each Major State Proeject

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on its major state project for the fiscal year ended September 30, 2018.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Tampa, Florida
(DATE OF REPORT)

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CITY OF NAPLES AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2018

State/Pass Through Entity State Project	CSFA Number	Contract Grantor Number	Expenditures	Passed Through to Subrecipients
Department of Transportation				
Aviation Systems Development				
Construct Taxiway A (Reconfigure Taxiway A to Meet Design Standards)	55.004	G0E28	$ 569	$ -
Taxiway Delta Design and Construction	55.004	G0826	600,000	-
Aircraft Rescue and Fire Fighting Facility (ARFF)	55.004	G0G30	244,298	-
Taxiway D - North Quad Relocation and Extension	55.004	G0E33	613,606	-
Masterplan	55.004	G0O37	24,268	-
Total Department of Transportation			1,482,741	-
Total Expenditures of State Financial Assistance			$ 1,482,741	$ -

CITY OF NAPLES AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2018

1. General

The accompanying Schedule of Expenditures of State Financial Assistance (SESFA) presents the activity of all state awards programs of the Authority for the year ended September 30, 2018.

2. Basis of Accounting

The Authority's basis of accounting is further described in Note 1 of the accompanying basic financial statements. The accompanying Schedule is presented using the accrual basis of accounting. Under the accrual basis, expenditures are recognized in the period liabilities are incurred.

CITY OF NAPLES AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2018

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:	**Unmodified Opinion**	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiency(ies) identified?	___ Yes	_X_ None reported
Noncompliance material to financial statements noted?	___ Yes	_X_ No

State Financial Assistance

Internal control over major state projects:		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiency(ies) identified?	___ Yes	_X_ None reported
Type of report issued on compliance for major state projects:	**Unmodified Opinion**	
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, *Rules of the Auditor General*?	___ Yes	_X_ No

Identification of Major State Project:

CSFA Number	Name of State Project
55.004	DOT: Aviation Grant Programs

Dollar threshold used to distinguish between Type A and Type B programs: State	$300,000

CITY OF NAPLES AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Cont.)*

For the Year Ended September 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III – STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION IV - PRIOR AUDIT FINDINGS

None Reported.

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Certified Public Accountants

MANAGEMENT LETTER

Board of Commissioners
City of Naples Airport Authority
Naples, Florida

Report on the Financial Statements

We have audited the basic financial statements of the City of Naples Airport Authority (the "Authority") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated January 8, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.550, *Rules of the Auditor General*; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated (DATE OF REPORT), should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, there were no findings or recommendations.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the financial statements.

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Board of Commissioners
City of Naples Airport Authority

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management, in connection with our audit, we noted certain matters, as reported in Appendix A attached hereto. Included in our observation is management's response, which we did not audit and, accordingly, we express no opinion on it.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. There were no special district component units that were required to provide financial information to the Authority for the fiscal year ended September 30, 2018.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Authority's Board, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Tampa, Florida
(DATE OF REPORT)

DRAFT

MSL
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

Board of Commissioners
City of Naples Airport Authority
Naples, Florida

We have examined the compliance of the City of Naples Airport Authority (the "Authority") with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2018. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied with those requirements. An examination involves performing procedures to obtain evidence about the Authority's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2018.

DRAFT

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Tampa, Florida
(DATE OF REPORT)

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