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

AGENDA

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

Thursday, May 16, 2019
10:30 a.m. (or immediately following the NAA Board Meeting)

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. Annual Audit Firm Review – FY 2018 Audit
2. Audit Firm Engagement Letter – FY 2019 Audit
3. Special Items for Audit Firm Review

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

Naples AIRPORT AUTHORITY

To: Honorable Chair and Audit Committee Members

From: Christopher A. Rozansky, Executive Director CR

By: Ken Warriner, Director of Finance and Administration KW

Meeting Date: May 16, 2019

Re: **DISCUSSION ITEM**

1. Annual Audit Firm Review – FY 2018 Audit

SUMMARY: Board discussion regarding the annual performance review of the audit firm, Moore Stephens Lovelace, CPA's and Advisors for FY 2018.

BACKGROUND: In accordance with Article V – Financial Matters, Section 3, Audit of the City of Naples Airport Authority's Bylaws, there shall be an annual audit of the accounts and records of the Authority by a firm of certified public accountants, who shall act as the Authority's auditors ("the Auditors"). During the third year of engagement, the Board shall consider and decide whether to renew the engagement or to commence a competitive selection process for the retention of auditors for the succeeding year. The Board shall, through a competitive selection procedure no less than every five (5) years select the Auditors. Whenever the Board elects to utilize the competitive selection process, the current Auditors shall be eligible to compete in the process. The Auditors shall report to and be reviewed annually by the Board to assess their performance and accomplishments.

Moore Stephens Lovelace, CPA's and Advisors provided auditing services for FY 2018. Mr. Jeff Wolf, Manager, was in charge of the audit services provided to the Authority.

The criteria for the performance review was developed by the Audit Committee in prior years. Attached is the performance review completed by NAA staff for the FY 2018 audit period.

COMMUNICATIONS PLAN: Not applicable.

FINANCIAL IMPACT: Not applicable.

Naples AIRPORT AUTHORITY

To:	Honorable Chair and Audit Committee Members
From:	Christopher A. Rozansky, Executive Director CR
By:	Ken Warriner, Director of Finance and Administration KW
Meeting Date:	May 16, 2019
Re:	Annual Audit Firm Review – FY 2018 Audit

Results - quality, quantity, and timeliness of work product

1. Annual Audit - **Moore Stephens Lovelace, CPA's (MSL) performed the audit timely and efficiently.**
2. Financial Statements - **NAA staff prepared the financial statements and CAFR. MSL provided guidance and comments.**
3. Compliance Assistance - **MSL staff are knowledgeable of the accounting guidance as well as Florida and Federal grant guidelines that apply to NAA.**
4. Special Projects (as assigned by Staff or Board, as appropriate) - **N/A**
5. General Staff and Board Assistance - **N/A**

Process - efficiency and effectiveness of producing the work product including the impact on Staff and Board results and processes.

1. Anticipation and planning of tasks - **The audit was well planned and went according to schedule.**
2. Responsiveness to tasks (timeliness, scope, on point, etc.) - **Jeff Wolf, MSL audit manager, did a great job working with the new Director of Finance and Administration (who started in the middle of the audit) and was very responsive in providing comments to the CAFR.**

3. Initiative - **MSL staff discovered through one of their audit procedures a potential conflict of a vendor. They investigated and found that everything was in compliance.**

4. Adding extra value (e.g. re-defining tasks, creativeness) - **Jeff provided the Director of Finance guidance in more efficient ways to prepare the CAFR.**

5. Communications (ability to explain compliance requirements, GAAP requirements, etc. to Staff, Board and public in an understandable and concise manner) - **MSL staff has done a good job explaining matters to NAA staff, management and the Board.**

6. Efficiency (good use of NAA staff time, appropriately skilled people) - **The MSL staff assigned had the appropriate skills and knowledge and worked efficiently with the NAA staff.**

7. Effectiveness - **MSL was effective in completing the audit timely with minimal disruption to NAA staff.**

Naples AIRPORT AUTHORITY

To: Honorable Chair and Audit Committee Members

From: Christopher A. Rozansky, Executive Director CR

By: Ken Warriner, Director of Finance and Administration KW

Meeting Date: May 16, 2019

Re: **DISCUSSION ITEM**

2. **Audit Firm Engagement Letter – FY 2019 Audit**

SUMMARY: To review and make recommendations regarding the Engagement Letter between the City of Naples Airport Authority and Moore Stephens Lovelace, CPA's and Advisors.

BACKGROUND: The firm Moore Stephens Lovelace, CPA's and Advisors will provide audit services to the Authority. Mr. Jeff Wolf, Chief Manager, will be in charge of the audit services to the Authority. There are no substantial changes in the Engagement Letter as compared to the prior year. The document has been forwarded to Authority Counsel for review.

COMMUNICATIONS PLAN: Not applicable.

FINANCIAL IMPACT: Fees for the fiscal year 2019 audit are as follows:

$ 40,500 for the Audit Fee,
$ 2,000 for the Federal Single Audit Fee (if applicable)
$ 1,500 for the State Single Audit Fee (if applicable)

There is no change in these fees from last year. Any additional services requested by the Authority in the form of special reviews of specified operational or financial functions will be additional and will be negotiated prior to the commencement of the additional assignment.

MSL
CPAs & ADVISORS

April 23, 2019

VIA EMAIL

To the Board of Commissioners and
the Executive Director
City of Naples Airport Authority
160 Aviation Drive North
Naples, FL 34104

We are pleased to confirm our understanding of the services we are to provide the City of Naples Airport Authority (the "Authority") for the year ending September 30, 2019. In addition, the agreement may be renewed for two (2) additional one-year periods with the mutual consent of both parties. We will audit the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority as of and for the year ending September 30, 2019. Accounting standards generally accepted in the United States of America provide for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement the Authority's 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. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles (U.S. GAAP") and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis

We have also been engaged to report on supplementary information other than RSI that accompanies the Authority's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a separate written report accompanying our auditor's report on the financial statements, or in a report combined with our auditor's report on the financial statements:

1) Schedule of expenditures of federal awards and state financial assistance (if applicable)

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information:

1) Introductory section
2) Statistical section

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs/projects and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal/state awards that could have a direct and material effect on each major program/project in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") (if applicable) and the Florida Single Audit Act (if applicable).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance (if applicable) will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose. If during our audit we become aware that the Authority is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit conducted in accordance with U.S. GAAS and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996 (if applicable); the provisions of the Uniform Guidance; the Florida Single Audit Act (if applicable); and the *Rules of the Auditor General;* will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance; and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit(s) (if applicable). Our reports will be addressed to Board of Commissioners of the Authority. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or

the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming opinions on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express opinions or issue a report, or withdrawing from the engagement.

We will also issue a written Management Letter, as required by Chapter 10.550, *Rules of the Auditor General for Local Governmental Entity Audits,* upon completion of the audit.

Examination Objective

The objective of our examination is the expression of an opinion about whether your investments were authorized by law, and, if applicable, in accordance with your investment policy based on the requirements of Section 218.415, Florida Statutes. Our examination will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and will include tests of your records and other procedures we consider necessary to enable us to express such an opinion.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Authority or to acts by management or employees acting on behalf of the Authority. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that comes to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit (if applicable). Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards and state financial assistance (if applicable); federal/state award programs/projects; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures - Internal Control

Our audit will include obtaining an understanding of the Authority and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance and the Florida Single Audit Act, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program and state project. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance and Florida Single Audit Act.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, the Uniform Guidance, and the Florida Single Audit Act.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

We are also responsible for communicating certain matters in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General,* which govern the conduct of local governmental entity audits performed in the State of Florida. These matters will be communicated in the management letter.

The Uniform Guidance and the Florida Single Audit Act require that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal and state awards applicable to major programs/projects. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB and Florida's Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Authority's major programs. The purpose of these procedures will be to express an opinion on the Authority's compliance with requirements applicable to each of its major programs and state projects in our report on compliance issued pursuant to the Uniform Guidance and the Florida Single Audit Act.

Management Responsibilities

Management is responsible for (1) designing, implementing, and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with

applicable laws, regulations, contracts and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards and state financial assistance, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal and state statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the Authority from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for your compliance with investment provisions in accordance with Section 218.415, Florida Statutes.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Authority involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Authority complies with applicable laws, regulations, contracts, agreements and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

You are responsible for identifying all federal and state awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards and state financial assistance (including notes and non-cash assistance received) in conformity with the Uniform Guidance and the Florida Single Audit Act. You agree to include our report on the schedule of expenditures of federal awards and state financial assistance in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards and state financial assistance. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards and state financial assistance that includes our report thereon, or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards and state financial assistance no later than the date the schedule of expenditures of federal awards and state financial assistance are issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards and state financial assistance in accordance with the Uniform

Guidance and the Florida Single Audit Act; (2) you believe the schedule of expenditures of federal awards and state financial assistance, including their form and content, is stated fairly in accordance with the Uniform Guidance and the Florida Single Audit Act; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards and state financial assistance.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with U.S. GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information. You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards and state financial assistance, and related notes.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards and state financial assistance, summary schedule of prior audit findings, auditors' reports, and corrective action plan), along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of thirty (30) calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

We will provide copies of our reports to the Authority; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Moore Stephens Lovelace, P.A. ("MSL") and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the Authority or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit

documentation will be provided under the supervision of MSL personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit and examination documentation for this engagement will be retained for a minimum of seven (7) years after the report release date, or for any additional period requested by a federal or state agency. If we are aware that a federal or state awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

MSL and Moore Stephens Tiller LLC have been defined as a network within as association under AICPA *Rules of Professional Conduct*. You confirm to us that you are not aware of any prohibited relationship that would impair our independence under AICPA *Rules of Professional Conduct* between our firm and Moore Stephens Tiller LLC and its employees. We are also not aware of any such relationships.

We anticipate the audit schedule to be as follows:

Interim fieldwork – July 2019

Year-end inventory observation – October 1, 2019

Year-end fieldwork – November 2019

Draft audit reports to Audit Committee – January 2020

Present reports to Board of Commissioners – February 2020

Joel Knopp is the engagement partner and is responsible for supervising the engagement and signing the reports.

Our fee for these services will be at our standard hourly rates, plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.), except that we agree that our gross fee, including all out-of-pocket costs and other expenses, will not exceed the following:

Fiscal Year Ending	Audit Fee	Federal Single Audit Fee	State Single Audit Fee
9/30/2019	$40,500	$2,000	$1,500

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. In accordance with our firm policies, work may be suspended if your account becomes thirty (30) days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

These fees will be invoiced on an interim basis during the progress of our engagement. Invoices shall include sufficient detail to demonstrate compliance with the terms of this agreement. Invoices are due within thirty (30) days of the invoice date. Any remaining balance is due upon delivery of the final product. Any subsequent discussions, conferences, telephone conversations, correspondence, or related services will be invoiced separately. A service charge of 1.5 percent per month will be assessed on any invoice not paid within thirty (30) days of the invoice date.

In the event the auditor is requested or authorized by the Authority or is required by government regulation, subpoena, or other legal process to produce their documents or their personnel as witnesses with respect to their engagements for the Authority, the Authority will, so long as they are not a party to the proceeding in which the information is sought, reimburse them for their professional time and expenses, as well as the fees and expenses of their counsel, incurred in responding to such requests.

This agreement will be interpreted in accordance with Florida law and the terms and conditions as required by the Florida Board of Accountancy, where applicable.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comments, and any subsequent peer review reports and letters of comment received during the period of contract. Our 2017 peer review report is attached.

We appreciate the opportunity to be of service to the Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the letter and return it to us.

Very truly yours,

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

jaw/rjt
Attachment: 2017 Peer Review Report

RESPONSE:

This letter correctly sets forth the understanding of **City of Naples Airport Authority**

Title: _____

Date: _____

Title: _____

Date: _____

P&N
Postlethwaite & Netterville

8550 United Plaza Blvd. Ste 1001 - Baton Rouge, LA 70809
225-922-4600 Phone - 225-922-4611 Fax - [illegible]

A Professional Accounting Corporation

Report on the Firm's System of Quality Control

To the Partners of
Moore Stephens Lovelace, PA
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Moore Stephens Lovelace, PA (the firm) applicable to engagements not subject to PCAOB inspection in effect for the year ended June 30, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and audits of employee benefit plans.

As part of our peer review, we considered reviews by regulatory entities as communicated to the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Moore Stephens Lovelace, PA applicable to engagements not subject to PCAOB inspection in effect for the year ended June 30, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Moore Stephens Lovelace, PA has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
November 8, 2017

Naples AIRPORT AUTHORITY

To: Honorable Chair and Audit Committee Members

From: Christopher A. Rozansky, Executive Director CR

By: Ken Warriner, Director of Finance and Administration KW

Meeting Date: May 16, 2019

Re: **DISCUSSION ITEM**

3. **Special Items for Audit Firm Review**

SUMMARY: Committee discussion for special additional services by the audit firm.

BACKGROUND: Each year prior to final audit fieldwork, the Audit Committee meets with representatives of the Authority's audit firm and staff concerning the annual audit. This meeting provides an opportunity to discuss the audit process and to request a more detailed review of specific areas.

Past examples of items the auditors have reviewed include:

Rental Car Concession Agreements, Cost of Fuel Analysis, Tenant Fueling, Cash Handling and Cash Management Procedure Review, Payroll Recordkeeping, Intangible Assets, Procedures for Recording Capital Assets, Capital Asset Schedule Review (Write Off of Certain Capital Assets), Investment Policy, Internal Control Procedure Review, Capital Asset Threshold, Gross Revenue Definition – Concession Agreements, Into-Plane/ASA Fuelings, Davis Bacon Act Compliance, Long Term Compensated Absences and Benefits, Information Technology Review

There have been no special projects in the last five years.

COMMUNICATIONS PLAN: Not applicable.

FINANCIAL IMPACT: Not applicable.