**Minutes**
**February 11, 2020**
**Audit Committee**

## A. ROLL CALL

Meeting was called to order by Audit Committee Chair Dustin at 9 a.m. in the Airport Office Building Conference Room. Present were Committee member, Commissioner Rideoutte, and Commissioner Lenhard, who opted in.

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

## B. PLEDGE OF ALLEGIANCE

Chair Dustin led the Pledge of Allegiance.

## C. AGENDA

Mr. Rozansky reported that were no changes to the Agenda.

## D. DISCUSSION ITEM

### 1. Fiscal Year 2019 Audit and Financial Statements

Mr. Warriner, Director of Finance and Administration, made opening comments regarding Discussion Item 1. He introduced Mr. Jeff Wolf of the Authority's audit firm, MSL CPAs & Advisors (formerly Moore Stephens Lovelace CPAs & Advisors).

Mr. Wolf thanked the Committee for allowing MSL to be the Authority's auditors. He briefly reviewed the services and deliverables in the Comprehensive Annual Financial Report as of and for the years ended September 30, 2019 and 2018 (CAFR). He commented that in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance on page 48 and the Report on Compliance for each Major State Project on page 50, there were no findings noted. He stated that the auditors have issued an unmodified opinion, the highest opinion that can be received (a "clean" audit).

Mr. Wolf reviewed the financial highlights including the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. He commented that the Authority had a strong year and the numbers speak for themselves.

There was discussion regarding the challenge of identifying vendor fraud/collusion. Mr. Wolf stated that during the audit, unpredictable procedures are used to discover whether any fraud or collusion has occurred.

Chair Dustin asked if there were any observations relative to improvement of our IT practices and cybersecurity. Mr. Warriner noted that there is a process for addressing vendor additions and changes. Mr. Wolf stated that each year, IT is evaluated but the audit is mainly to evaluate how it

effects the financial system. He suggested that next year, a more in-depth evaluation could be conducted by MSL's IT specialists to address any concerns.

Chair Dustin requested information pertaining to D&O Insurance Coverage limits for Board members. Mr. Owens stated that the public officials D&O insurance limits in 2018-2019 were $2 million. Mr. Rozansky said that staff will forward specific information.

Chair Dustin asked about the theoretical airfield capacity of airport operations. Mr. Rozansky explained that depending upon direction of winds we practically operate as a single runway airport that has a capacity of 180,000 annual operations. Mr. Rozansky said that the Naples Airport reaches peak runway capacity for a limited period of time during certain holidays and weekends in season. He said that during the peak of 164,000 operations in 2006, a large percentage of those operations were flight training activities which we don't expect to see here again.

There were several questions regarding the following pages within the CAFR:

- On page 16, Chair Dustin asked why the revenues for Building and Land Rent had decreased from 2018. Mr. Rozansky believed that it was due to losing some office leases in the Airport Office Building. He said that staff would look into it and provide more information.

- On page 18, in response to Chair Dustin's question regarding the Restricted net position of $2.0 million, Mr. Rozansky stated that it consists of Customer Facility Charges collected by car rental companies, and those funds are only available for car rental facility improvements.

- Chair Dustin asked what we were doing to collect on the Doubtful Accounts. Mr. Warriner stated that one of the bigger accounts related to an abandoned aircraft was recently resolved.

- On page 33, there was discussion regarding the name given to the lease term buy-back program. Mr. Rozansky provided clarification of its meaning.

- On page 39, it was suggested to correct the Ref! error on line item "U.S. Customs and Border Patrol expense" on the Changes in Net Position, Last Ten Fiscal Years, Report. Mr. Warriner said this will be corrected.

- On page 40, Chair Dustin requested an explanation of "flowage." Mr. Rozansky stated that it is a common industry term that we have recently changed to Airfield Cost Recovery fee to provide greater clarity as to its purpose.

- On page 46, Chair Dustin commented regarding the increase in the number of Executive employees from 2010 to 2019 and questioned if the Executive Department was becoming too top heavy and cautioned that it may appear too bureaucratic. Mr. Rozansky explained that the Executive Department actually includes three staff members: the Executive Director, Deputy Executive Director and Executive Assistant. He said that as soon as the Administration Department is redefined, those other positions will be separated from the Executive Department. Mr. Rozansky added that when he first got here, staffing levels were too lean, creating risk in certain areas.

Commissioner Rideoutte commented regarding the positive financial position and the success of the operation. He pointed out that complacency could be a major challenge in the future and that we need to assist staff in avoiding it. Chair Dustin acknowledged and agreed with Commissioner Rideoutte's comments. There was discussion regarding the future of drones, solar airplanes as well as other technologies being developed that could affect future revenues. Mr. Rozansky said that there are significant challenges with these new technologies, and he believed that they are far off from being put into use.

In performing audits at other firms, Commissioner Rideoutte said that it would be beneficial for Mr. Wolf to share anything that may be helpful to improve our processes here. In response to Commissioner Rideoutte as well as Chair Dustin's comment about the status of sophisticated IT capabilities and systems being developed, Mr. Wolf commented that we are headed toward the use of artificial intelligence for auditing but are not quite there yet.

There was discussion regarding our internal controls and management of our finances. Mr. Rozansky confidently stated that our staff and internal controls are as strong as ever. Mr. Warriner added that staff stays on top of the industry changes and employs best management practices whenever possible.

There was Committee consensus to recommend to the full Board to accept the Fiscal Year 2019 annual audit and Comprehensive Annual Financial Report at the February 2020 Regular Meeting.

## E. PUBLIC COMMENTS

There were no public comments.

## F. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/ MEETINGS

There were no additional comments and requests/meetings.

## G. ADJOURN

With no further business, the meeting adjourned at 9:56 a.m.

Christopher A. Rozansky
Secretary

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

# FINAL AGENDA

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

**Tuesday, February 11, 2020**
**9 a.m.**

**Commissioner Michael Lenhard – Chair and Consultant Selection Committee Member**
**Commissioner Kerry C. Dustin – Vice Chair and Audit Committee Chair**
**Commissioner Donna M. Messer – NCC Liaison**
**Commissioner James Rideoutte – Consultant Selection Committee Chair and Audit Committee Member**
**Commissioner Ted Brousseau – Legal Liaison**
**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 2019 Audit and Comprehensive Annual Financial Report (CAFR)

**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**

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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.

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**NOTE:** The Audit Committee is comprised of Commissioner Dustin (Chair) and Commissioner Rideoutte (Member). All NAA Commissioners are welcome to attend and can "opt in" to participate.