

Minutes of the MNAA Management, Audit & Compliance Committee



Date: November 13, 2024

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 10:52 a.m.

Committee Members Present:

Nancy Sullivan, Committee Chair; and Joycelyn Stevenson,
Committee Vice Chair; Jimmy Granbery

Committee Members Absent:

Other board Members Present:

Andrew Byrd, Glenda Glover, and Glenn Farner

MNAA Staff & Guests Present:

Doug Kreulen, Cindy Barnett, Lisa Lankford, Trish Saxman,
Marge Basrai, John Cooper, Eric Johnson, Carrie Logan, Rachel
Moore, and Ted Morrissey
Ali Hijazi and Veronica Tuazon, Plante Moran, Rocky King, A&R

I. CALL TO ORDER

Chair Sullivan called the meeting of the MNAA Management Committee to order at 10:52 a.m. pursuant to Public Notice dated November 8, 2024.

II. PUBLIC COMMENTS

Chair Sullivan stated there were no public comment requests received.

III. APPROVAL OF MINUTES

Chair Sullivan asked for a motion to approve the October 9, 2024 Minutes of the Management, Audit & Compliance Committee meeting. Vice Chair Stevenson made a motion and Commissioner Granbery seconded the motion.

Chair Sullivan asked Ms. Saxman for a roll call:

Chair Sullivan – Yes

Vice Chair Stevenson – Yes

Commissioner Granbery – Yes

The motion was passed with a vote of 3 to 0.

IV. CHAIR'S REPORT

Chair Sullivan had no Chair's report.

V. ITEMS FOR APPROVAL

None.

VI. INFORMATION ITEMS

1. FY24 Annual Comprehensive Financial Report ("ACFR")

President Kreulen introduced Marge Basrai, EVP, Chief Financial Officer, to brief the Committee on the FY24 Annual Comprehensive Financial Report ("ACFR"). Ms. Basrai stated Plante Moran is here today to report on the audit. Copies of the ACFR have been distributed today and were also included in the Management Committee packet sent electronically. President Kreulen stated this will be posted on our website. President Kreulen introduced Ali Hijazi, Partner of Plante & Moran.

2. FY24 MNAA External Audit Update

Mr. Hijazi thanked the President Kreulen and MNAA for having him here today and introduced Veronica Tuazon, Vice President with Plante Moran. Mr. Hijazi stated Plante Moran is the team that audits the Financial Statement Audit, Federal Expenditures Audit, and the Passenger Facility Charge (PFC) Audit. Today the Commissioners have in front of them the ACFR related to the June 30, 2024 audits that were conducted. This year was an outstanding audit this year and as you will see and he would like to express his gratitude to the MNAA team. There is a lot of effort that goes into this and they kicked off the audit planning process in April or May and conducted a significant amount of work in late summer and the MNAA team is always very well prepared. Mr. Hijazi stated the MNAA team was very collaborative and gave a special thanks to Ms. Marge Basrai, Ms. Kristen Deuben, Ms. Kristy Bork and Ms. Leslie Larson and all of the MNAA finance team and also the support of the internal audit department and the other department heads. All of the MNAA teams were very transparent and smiled when they asked a lot of questions and they appreciated that.

Ms. Tuazon stated that the first audit completed was the Financial Statement Audit and on that audit they issued an Unmodified (clean) opinion, which is the best opinion you can receive. There also were no internal control deficiencies identified which is also a great result. One new thing on this year's audit is there were a couple of new audit standards this year. There are accounting standards and audit standards that go into a Financial Statement Audit. Accounting standards are standards that

your finance team are required to implement and then audit. Audit standards are requirements on how they are supposed to perform the audit. There were no new accounting standards this year, but there are two new audit standards. Those two new audit standards relate to estimates and Plante Moran and a deeper understanding of estimates that go into the financial statement. And the other standard is related to internal controls. Plante Moran was required to get a deeper understanding of the Authority's internal controls.

The 2nd audit opinion, the Federal Expenditures Audit, is also called a single audit. It was also an unmodified (clean) opinion and no internal control deficiencies or non-compliance matters were identified.

The 3rd audit issued, the Passenger Facility Charge (PFC) Audit, was again an unmodified (clean) opinion, and no internal control deficiencies or non-compliance matters were identified. Ms. Tuazon reemphasized that there were no issues or items identified as a result of Plante Moran's audit procedures and that is a great result, especially in a year where we have to take a deeper dive into the internal controls. It is not necessarily common and is a true testament to how great the MNAA Finance team is. There are certain audit required communications that they are required to report to the Board as well. Those come in the form of two letters that were sent to the Board. The first is a pre-audit letter and the second is a post-audit letter that summarizes the results of the audit. In the pre-audit letter, Plante Moran does communicate a handful of risks of misstatement within the financial statement. This is a required part of the audit. Specifically, the first two risks that are identified are required risks for any entity. Any organization that has an audit is required to have management override of controls and proper measurement and recognition of revenue and the third is management's valuation of the total pension and other postemployment benefit (OPEB) liabilities. When Plante Moran identifies these risks they develop additional audit procedures that they complete around these areas and they are pleased to report no issues were identified when they concluded the additional audit procedures.

Ms. Tuazon stated the in the post-audit communication, that letter would communicate any issues that would have been identified in the audit and they are happy to report that the entire audit process went according to plan, scope and timing, so nothing unusual was reported in that letter. Finally, if there were any journal entries identified as part of the audit process or any other issues those would

also be summarized within the letter, and again they are happy to report that there were no issues identified and there was nothing out of the norm that was required to be posted in that letter.

The last thing that you will see in the letter are a couple of information items that are specifically related to new accounting standards on the horizon. There are a few upcoming Accounting Standards and the MNAA Finance team are aware of what they are and what needs to be done to implement those new Accounting Standards and Plante Moran listed the following Accounting Standards for implementing in Fiscal Year 2025: GASB 101, Compensated Absences; GASB 102, Certain Risk Disclosures and GASB 103, Financial Reporting Model Improvements.

Ms. Tuazon concluded the FY24 External Audit Update.

President Kreulen asked the Commissioners if they had any questions for Plante Moran. Commissioner Byrd stated looks like our signatory airlines revenue was up pretty dramatically. Ms. Basrai stated that is because of the Airline Use and Lease Agreement (“AULA”). President Kreulen replied that it was a challenge they first brought up that this is the first year of the AULA and they wanted to make sure everything was flowing correctly. Commissioner Glover asked if Artificial Intelligence (“AI”) coming out any time soon. Mr. Hijazi replied nothing from an accounting standards perspective, he believes that AI is coming up more is on the AICPA’s radar because they want to see how accounting firms are utilizing this to make sure they are not doing anything to compromise audit quality. Commissioner Byrd asked what amortization debt was last year. Ms. Basrai asked if he means the debt that we paid. Commissioner Byrd replied looks like our interest expense is about \$88M. Ms. Basrai replied if you look at our cash flow it will show how much cash is paid out, on page 39 of the ACFR, MNAA paid \$88M in interest and long-term debt and \$8.9M in principal payments on long-term debts.

President Kreulen thanked Mr. Hijazi and Mr. Tuazon for their patience and audit. Chair Sullivan stated it was an excellent presentation. Commissioner Byrd stated the MNAA Finance team is really strong.

3. Executive Session – Litigation Update

Chair Sullivan asked for a motion to suspend the public portion of this meeting to enter into executive session to discuss Authority litigation. She stated that following the executive session the public portion

of the meeting would resume. Vice Chair Stevenson made a motion to enter executive session and Commissioner Granbery seconded the motion. MNAA staff exited the meeting. The Committee entered into Executive Session at 11:04 a.m. and the Executive Session concluded at 11:34 a.m.

At the end of the Executive Session, Chair Sullivan asked for a motion to exit the executive session and return to the public portion of the meeting. Commissioner Granbery made a motion to exit the executive session and return to the public portion of the meeting and Vice Chair Stevenson seconded the motion.

President Kreulen concluded the presentation of the informational items.

VII. ADJOURN

There being no further business brought before the Management Committee, Chair Sullivan adjourned the meeting at 11:35 a.m.



Andrew W. Byrd, Board Secretary