



**TRUCKEE TAHOE AIRPORT DISTRICT  
FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FIFTEEN MONTHS ENDED  
DECEMBER 31, 2017 AND  
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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**TRUCKEE TAHOE AIRPORT DISTRICT**

**DECEMBER 31, 2017**

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**BOARD OF DIRECTORS**

Rick Stephens –President

James W. Morrison – Vice President

John B. Jones, Jr. – Director

Teresa O’Dette - Director

Lisa Wallace - Director

\* \* \* \*

General Manager  
Kevin Smith

**TRUCKEE TAHOE AIRPORT DISTRICT**

**DECEMBER 31, 2017**

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## **James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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### **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Truckee Tahoe Airport District  
Truckee, California

#### **Report on the Financial Statements**

We have audited the accompanying Statement of Net Position of Truckee Tahoe Airport District as of December 31, 2017 and September 30, 2016 and the related Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and notes to the financial statements for the fifteen months ended December 31, 2017, which collectively comprise the District's basic financial statements.

#### **Managements Responsibility for the Financial Statements**

Management is responsible for the preparation 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Truckee Tahoe Airport District as of December 31, 2017 and September 30, 2016 and the results of its operations and its cash flows for the fifteen months ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

## **Emphasis of Matter**

As discussed in Note 12 to the financial statements, the financial year end of Truckee Tahoe Airport District was changed from September 30 to December 31. Accordingly, the current financial statements are prepared for the fifteen month period from October 1, 2016 to December 31, 2018. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of Pension Contributions 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 (GASB) 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 principally 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 basic financials statements of Truckee Tahoe Airport District. The Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

### Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE** on our consideration of Truckee Tahoe Airport District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Districts internal control over financial reporting and compliance.

**Draft**

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
**DATE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# TRUCKEE TAHOE AIRPORT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE 15 MONTHS ENDED DECEMBER 31, 2017 AND YEAR ENDED SEPTEMBER 30, 2016

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The following discussion and analysis of the financial performance of the Truckee Tahoe Airport District (the "District" or the "Airport") provides an overview of the District's financial activities for the fifteen months ended December 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

- The District continues to implement Governmental Accounting Standards Board (GASB) Statement 68-Accounting and Financial Reporting for Pensions. This accounting principle sets up a Net Pension Liability that has increased from \$1.7 at September 30, 2016 to \$2.5 million at December 31, 2017.
- The District has implemented a fiscal year end change from September 30 to December 31 during 2017. This creates a one-time fiscal year of fifteen months. For comparison purposes, the fifteen month year will be annualized to twelve months.
- In the fiscal year ended December 31, 2017, the District's operating revenues increased \$1,137,000 (22%) over the prior fiscal year. This is primarily due to increased operations and fuel sales in 2017.
- The District received funding through the Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants in the amount of \$615,000 to complete pavement rehabilitation and airfield infrastructure projects. In addition this year, TTAD received \$148,000 from the California Department of Transportation for pavement maintenance.
- The District saw annualized property tax revenues increase 5%, in the fiscal year ended December 31, 2017.
- The District's annualized personnel costs were up 37%, with an 18% increase in Salaries and Wages due to the District adding one new full time position and additional summer seasonal help to cover increased operations. In addition, contributing to the higher personnel costs is the 1,000% increase in PERS contributions which included a \$500,000 adjustment for GASB 68 implementation.
- Operating, general and administrative annualized expenses were up 43% over the prior year. The increase was primarily a result of the cost of the Control Tower staffing contract of \$609,000 and \$230,000 in infrastructure costs.
- Repair and maintenance annualized expenses were up from the prior fiscal year by 158%. In 2017 the District completed \$708,000 in pavement maintenance and repair and \$584,000 of Forest Restoration.
- Due to long term fiscal discipline, the Truckee Tahoe Airport District is in excellent financial condition. The District's net position is \$53.9 million. The District has designated the unrestricted net position for future capital projects and contingencies.

#### OPERATIONAL HIGHLIGHTS

- The District completed the warehouse office building (WOB) and is now leased by Clear Capital and two car rental operators, Hertz and Enterprise. The Long Term Parking area was also completed. The cost of the WOB project came in at \$6.8 million. Occupancy started in January 2017.
- During the fifteen-months ended 12/31/17, operations continue to be strong. Jet A sales are up with an increase of 25% in gallons sold and 19% in net airside revenue over the previous year.
- Starting in the summer 2017, the District built a temporary control tower and contracted with Midwest Air Traffic Control to staff the tower. The District added the contract to cover the holiday period from mid-December into late February 2018. Subsequently, the District has again extended the contract to provide full-time daylight hours staffing.
- In August 2017, the District entered into an Installment Purchase and Sale Agreement with Municipal Finance Corporation to borrow \$7.8 Million to build ten executive hangars on the District property. The project is scheduled to be completed and occupied by the end of 2018.



**TRUCKEE TAHOE AIRPORT DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE 15 MONTHS ENDED DECEMBER 31, 2017**  
**AND YEAR ENDED SEPTEMBER 30, 2016**

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**USE OF FINANCIAL STATEMENTS TO ANALYZE THE DISTRICT'S CONDITION**

When financial statements are presented the District is often asked, "Is the District better off or worse off as a result of this year's activities?" The financial statements report information about the District's activities in a way that helps answer this question. The statements are prepared on the accrual basis of accounting, which means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. An explanation of each of the statements and the information they report follows.

**THE STATEMENT OF NET POSITION**

The Statement of Net Position details the District's assets, deferred outflows, liabilities and deferred inflows with the difference between them known as net position as of December 31, 2017 and September 30, 2016. The level of net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. Other factors, such as changes in the District's property tax revenues and the condition of the airport's facilities, must also be considered to assess the overall health of the District.

**THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The Statement of Revenues, Expenses and Changes in Net Position presents information which shows how the District's net position changed during the fiscal year. The statement measures the success of the District's operations during the year and determines whether the District has recovered its costs through user fees and other revenue sources. The changes in net position for the fiscal years shown in this report agree with the differences in net position shown at December 31, 2017 in the above mentioned Statement of Net Position.

**THE STATEMENT OF CASH FLOWS**

The Statement of Cash Flows provides information regarding the District's cash receipts and disbursements during the fiscal year. Cash activity is grouped in the following four categories: operations, noncapital financing, capital and related financing, and investing. These statements differ from the Statements of Revenues, Expenses and Changes in Net Position, because they only account for transactions that result in cash receipts or disbursements. For example, the amount shown as receipts from customers on the first line of the statements represents cash received during the fiscal year, rather than revenue earned.

**THE NOTES TO THE FINANCIAL STATEMENTS**

The Notes to the Financial Statements provide a description of accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles of the United States that are not otherwise present in the financial statements.

**TRUCKEE TAHOE AIRPORT DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE 15 MONTHS ENDED DECEMBER 31, 2017**  
**AND YEAR ENDED SEPTEMBER 30, 2016**

**FINANCIAL ANALYSIS**

**STATEMENT OF NET POSITION**

The District's net position at December 31, 2017 totaled \$53,868,615 compared with \$53,504,307 at September 30, 2016. As noted in the Financial Highlights, due to long term fiscal discipline, the Truckee Tahoe Airport District is in excellent financial condition. A summary of the District's asset, liability and net position balances at the end of the current and prior two fiscal years appears on the following chart.

Statement of Net Position

	December 31, 2017	September 30, 2016	Increase (Decrease)	Percent Change	September 30, 2015
<b>Assets:</b>					
Cash and Equivalents	\$ 5,647,717	\$ 7,974,793	\$ (2,327,076)	-29.2%	\$ 10,515,026
Restricted Cash	7,801,785	-	7,801,785	-	-
Other Current Assets	3,250,441	3,464,559	(214,118)	-6.2%	1,890,117
Total Current Assets	16,699,943	11,439,352	5,260,591	46.0%	12,405,143
Investments	1,500,000	1,500,000	-	0.0%	1,500,000
Noncurrent Receivable	41,300	15,000	26,300	175.3%	17,500
Net Capital Assets	46,857,337	45,174,702	1,682,635	3.7%	37,109,644
Total Assets	65,098,580	58,129,054	6,969,526	12.0%	51,032,287
Deferred Outflows	820,019	474,501	345,518	0.0%	197,011
<b>Liabilities:</b>					
Current Liabilities	1,952,192	3,221,632	(1,269,440)	-39.4%	1,232,975
Long Term Liabilities	10,036,214	1,706,562	8,329,652	488.1%	1,304,288
Total Liabilities	11,988,406	4,928,194	7,060,212	143.3%	2,537,263
Deferred Inflows	61,577	171,058	(109,481)	0.0%	467,878
<b>Net Position</b>					
Invested in Capital Assets, Net	46,857,337	45,174,704	1,682,633	3.7%	37,109,644
Restricted	-	-	-	-	16,468
Unrestricted	7,011,279	8,329,603	(1,318,324)	-15.8%	11,098,045
Total Net Position	\$ 53,868,616	\$ 53,504,307	\$ 364,309	0.7%	\$ 48,224,157

The December 31, 2017 cash and cash equivalents balance decreased \$2,327,000 from the balance at the end of the prior year. The District invests surplus cash in the Local Agency Investment Fund, a governmental investment pool managed and directed by the California State Treasurer. The Restricted Cash is invested at the Placer County Treasurer's Investment Pool and is available for the Executive Hangar Construction Project. The Investment line shows the Certificates of Deposit held by the District.

The increase in net property, plant and equipment is primarily related to construction of the Warehouse Office Building and Pavement Restoration Projects offset by depreciation of the District's assets.

**TRUCKEE TAHOE AIRPORT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE 15 MONTHS ENDED DECEMBER 31, 2017  
AND YEAR ENDED SEPTEMBER 30, 2016**

The increase in Long Term Liabilities is the net pension liability, increased \$800,000 and reflects the adoption of GASB 68, Accounting and Financial Reporting for Pensions and a loan for \$7.8 million.

The unrestricted portion of net position has been designated by the Board of Directors based on current capital projects, potential contingencies and policy-based priorities. Of the \$7 million of unrestricted net assets, approximately \$1.4 million has been designated for a General Fund Operating Contingency, \$.5 million for Annoyance Reduction/Outreach Reserve, and \$3.1 million to pay for future capital asset projects. In addition, \$1 million has been designated for land acquisition, and \$1 million exclusively for pavement maintenance. Additional information on the designation of unrestricted net position can be found in the notes to the financial statements.

**THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Net operating revenues were greater than the prior year, due to increased fuel sales and operations. In the current fiscal year, there was a 25% increase in the number of gallons of fuel sold. Revenues from other business leasing is up from the prior year with additional lease revenue from the new office building. Other Airside revenue is up slightly from the prior year.

The following table summarizes the District's Statement of Revenues, Expenses and Changes in Net Position for the current and prior two fiscal years:

	Fifteen months ended December 31, 2017	Year ended September 30, 2016	Increase (Decrease)	Percent Change	Year ended September 30, 2015
Net Operating Revenues:	\$ 4,518,325	\$ 3,059,540	\$ 1,458,785	47.7%	\$ 2,881,284
Operating Expenses, Net of Depreciation	(10,362,479)	(5,296,301)	(5,066,178)	95.7%	(6,393,833)
Operating Loss before Depreciation	(5,844,154)	(2,236,761)	(3,607,393)	161.3%	(3,512,549)
Depreciation Expense	(2,562,149)	(1,895,399)	(666,750)	35.2%	(1,942,896)
Net Operating Loss	(8,406,303)	(4,132,160)	(4,274,143)	103.4%	(5,455,445)
Nonoperating Income:					
Property Tax Revenue	7,357,835	5,618,158	1,739,677	31.0%	5,029,325
Gain (Loss) on Disposal of Assets	493,874	(15,208)	509,082	-	-
Grant Revenues-Capital/Operating	763,214	3,746,592	(2,983,378)	-79.6%	301,124
Interest and Other Nonoperating Income	155,689	62,768	92,921	148.0%	52,263
Total Non operating Income	8,770,612	9,412,310	(641,698)	-6.8%	5,382,712
Change in Net Position	364,309	5,280,150	(4,915,841)	-93.1%	(72,733)
Change in Accounting Principle	-	-	-	0.0%	(1,609,575)
Net Position, Beginning-Restated	53,504,307	48,224,157	5,280,150	10.9%	48,296,890
Net Position, Ending	\$ 53,868,616	\$ 53,504,307	\$ 364,309	0.7%	\$ 48,224,157

  

Net Operating Revenues:	
	Operating Expenses
	Operating Loss

**TRUCKEE TAHOE AIRPORT DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**FOR THE 15 MONTHS ENDED DECEMBER 31, 2017  
AND YEAR ENDED SEPTEMBER 30, 2016**

	Depreciation Exp
	Net Operating
Nonoperating Income:	
	Property Tax Rev
	Gain (Loss) on Di
	Grant Revenues-C
	Interest and Other
	Total Non oper
Change in Net Position	
Change in Accounting Principle	
Net Position, Beginning-Restated	
Net Position, Ending	

Operating expenses, annualized, net of depreciation, increased \$4,052,942 or 77%, from the prior fiscal year. This category includes all costs related to payroll and employee benefits, general and administrative expenses, as well as the cost to maintain the District’s high value infrastructure. The three largest item increases referenced in the Financial Highlights on page 1 include Personnel Costs for Salaries, CalPERS costs and Professional Fees for the Control Tower. The District continues to work with its pavement management program to keep the Airport’s pavements in top condition. This year, with the aid of FAA AIP grants, the District expended \$1,160,880 resurfacing and rehabilitation projects. The related federal and state grant revenues are \$763,214.

Property tax revenues, annualized, were up 5% from the prior fiscal year.

**CAPITAL ASSETS**

At December 31, 2017, the District had over \$46 million invested in a broad range of capital assets. The amounts invested in capital assets, net of related accumulated depreciation, are shown in the table below.

Capital Assets – Net of Depreciation

**TRUCKEE TAHOE AIRPORT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE 15 MONTHS ENDED DECEMBER 31, 2017  
AND YEAR ENDED SEPTEMBER 30, 2016**

	<u>December 31, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Land and Easements	\$ 14,966,105	\$ 14,966,105	\$ 14,966,105
Building and Building Improvements	15,398,636	8,684,982	8,878,681
Land Improvements	11,109,700	8,374,236	9,651,078
Equipment	2,920,624	2,950,411	2,819,723
Construction in Progress	<u>2,462,272</u>	<u>10,198,971</u>	<u>794,057</u>
	<u>\$ 46,857,337</u>	<u>\$ 45,174,704</u>	<u>\$ 37,109,644</u>

The net capital asset balance increased \$1,682,633 during the 2017-2018 fiscal year. That amount includes net capital additions of \$4,315,931 offset by \$2,560,685 in depreciation expense and \$72,614 in net capital asset retirement for the year. The capital additions are detailed in the table below. The District was the beneficiary of funding from an AIP grant during the fiscal year, and the related projects are indicated in the table; the amounts shown include the federal contributions to the projects.

Summary of Additions to Capital Assets

For the fifteen months ended December 31,2017

WOB, Rental Car, Long-term Parking	\$ 6,830,801.37
Warehouse Improvements (Makerspace)	128,622.43
Apron A1/A2	1,263,069.00
G and H Reconstruction	1,223,757.92
Taxiway A Reconstruction	2,404,009.80
Vehicles	202,369.12
Construction in Progress-Capitalized	<u>(7,736,699.00)</u>
Total	<u>\$ 4,315,930.64</u>

**TRUCKEE TAHOE AIRPORT DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE 15 MONTHS ENDED DECEMBER 31, 2017**  
**AND YEAR ENDED SEPTEMBER 30, 2016**

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**ECONOMIC FACTORS AND BUDGET**

Based on the goals adopted by the Board of Directors, the fiscal year 2018 budget is an example of local agency government using its funding in a fiscally responsible way to satisfy the needs of its customers, constituents, employees and the greater community.

Airside operations and leasing revenues are projected to provide about \$5 million in revenues to offset staffing and administration of the District. Operations, fuel sales and user fees continue in an upward trend with the economy. Grant revenues from the FAA for airfield infrastructure projects for the upcoming year will continue to keep the facilities in excellent condition.

The 2018 budget reinforces the District's commitment to focus on community outreach and communication. In 2018 the Board of Directors will review and update its Strategic Plan. The Board of Directors budgeted funds to be used as sponsorship for another Air Show. Since 2012, and including this past summer the Air Show has been very successful, not just in terms of community approval, but also as a fundraiser for the non-profit organizations involved. The fiscal 2018 budget contains funding to take the event to a higher level in the upcoming summer. This event brings approximately 12,000 attendees to the airport to enjoy the show.

The Board of Director meetings continue to be broadcast over the local cable channel and the internet. They are archived on the District's website for viewing at any time. The District continues to work with New Leaders to refresh and update the District website. The new and improved format assisted constituents and customers with news and information about the District. This year, the District was again honored with a District of Excellence Transparency Certificate from the California Special Districts Association.

Going into the summer of 2017, the District erected a Control Tower and contracted with Midwest Air Traffic Control for staffing of the Control Tower. The Board of Directors continues to fund this project for the full year in 2018 to enhance safety and mitigate community annoyance.

The funding of the above mentioned programs, along with continuing efforts included in the fiscal 2018 budget such as the Fly Quiet incentive program, annoyance monitoring, ADS-B, and the airspace and procedures study, are all examples of the District striving not only to be an outstanding general aviation airport, but also a good neighbor.

Many of the Capital Facility plans of the District involve investment in facilities and infrastructure. The District takes these elements of the plan very seriously and devotes a great deal of funding, both monetary and in terms of man-hours, to seeing these objectives are met. The District is in the process of updating the Facility Maintenance Plan to better reflect current pricing of maintenance and new projects. These documents are created to focus the District's resources on the most efficient and effective way to maintain the District's infrastructure. The maintenance will be evaluated by District Staff and the condition of the assets, as well as future needs and other factors, will be considered before proceeding with the projects.

**TRUCKEE TAHOE AIRPORT DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE 15 MONTHS ENDED DECEMBER 31, 2017**  
**AND YEAR ENDED SEPTEMBER 30, 2016**

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The fiscal year 2018 budget also includes a variety of both grant-eligible and other capital projects. Approximately \$1 million in pavement maintenance projects are budgeted with an anticipated 90% reimbursement from the FAA. Hangar 1, which houses Sierra Aero, is in the process of a remodel to maximize space for the aircraft maintenance facility. Last winter, Hangar 2 collapsed under the weight of snow from last winter's record snow year. The District is in the design phase of a replacement structure for Hangar 2. The Executive Hangar project is underway and completion of this \$7.8 million project is scheduled to be completed later this summer. These hangars are preleased and will be occupied as soon as they are available. Other large budgeted projects include purchase of a Cessna 172 Skyhawk JT-A to lease to flight training instructors and provide an aircraft that is designed to operate with lower noise levels. In addition, completion of an ADS-B station is also planned. Both this and the Cessna aircraft should benefit the community by mitigating noise and enhancing safety. The Board has determined that the cost to provide a service and a return on the District's investment, when appropriate, should be considered when rate schedules are set. They believe all capital investments should be reviewed based on the potential effect the expenditure would have on users of the airport and the overall financial stability of the District in the future.

In 2018 Property Tax Revenues were budgeted to increase by 5% from the 2016-2017 actual amounts. The amount budgeted for the upcoming year is based on information received from Placer and Nevada Counties regarding the valuation of property within the District's boundaries. The Board takes the task of managing the monies received from the District taxpayers seriously. The budgeting process includes analysis of expenditures based on parameters established by the Board of Directors. The parameters are stated as percentages of property tax revenues. Any decrease in the level of funding from property taxes thus flows through the budgeting process.

The District policy relating to the designation of unrestricted net position was reviewed and revised in March of 2018; the policy will be a tool for communicating the Board's plans for the accumulated net position of the District.

The Truckee Tahoe Airport District is constantly striving to be an excellent example of local agency government. With the continued contributions from staff, Directors, and community members, it will remain a valuable community asset long into the future. Planning that is being accomplished through the various capital asset management plans and the airport master plan will assist the District as it strives to meet its strategic objectives and accomplish its mission statement:

*The Truckee Tahoe Airport is a community airport that provides high-quality aviation facilities and services to meet local needs. We strive for low impact on our neighbors while enhancing the benefits to the community-at-large.*

## **BASIC FINANCIAL STATEMENTS**



# TRUCKEE TAHOE AIRPORT DISTRICT

## STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2017 AND  
SEPTEMBER 30, 2016

	<u>December 31,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 5,647,717	\$ 7,974,793
Restricted cash	7,801,785	-
Investments	500,000	1,000,000
Accounts receivable	72,122	36,419
Property taxes receivable	2,779,426	1,365,937
Grants receivable	147,748	1,821,731
Interest receivable	26,164	15,509
Inventory	83,020	58,766
Prepaid expenses and deposits	141,961	166,199
Total current assets	<u>17,199,943</u>	<u>12,439,354</u>
Non-current Assets		
Investments	1,000,000	500,000
Non-current receivable	41,300	15,000
Capital assets, net	46,857,337	45,174,704
Total non-current assets	<u>47,898,637</u>	<u>45,689,704</u>
Total assets	<u>65,098,580</u>	<u>58,129,058</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources relating to pensions (note 4)	<u>820,019</u>	<u>474,501</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	619,575	2,383,351
Accrued expenses	108,990	131,507
Interest payable	106,209	-
Note payable - current portion	275,816	-
Unearned revenue	335,107	278,786
Deposits	176,721	149,167
Compensated absences	329,774	278,821
Total current liabilities	<u>1,952,192</u>	<u>3,221,632</u>
Non-current Liabilities		
Net pension liability	2,512,030	1,706,562
Note payable - non-current portion	7,524,184	-
Total non-current liabilities	<u>10,036,214</u>	<u>1,706,562</u>
Total liabilities	<u>11,988,406</u>	<u>4,928,194</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources relating to pensions (note 4)	<u>61,577</u>	<u>171,058</u>
<b>NET POSITION</b>		
Net Investment in capital assets	46,857,337	45,174,704
Unrestricted	7,011,279	8,329,603
Total net position	<u>\$ 53,868,616</u>	<u>\$ 53,504,307</u>

The accompanying notes are an integral part of these financial statements.

**TRUCKEE TAHOE AIRPORT DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017**

	<b>2017</b>
<b>OPERATING REVENUES</b>	
Hangar rentals, net of sales discounts of \$158,817 for 2017	\$ 1,510,011
Airside operating revenues, net of cost of sales of \$1,595,419 for 2017	2,181,385
Warehouse	342,245
Other rentals	484,684
	4,518,325
<b>OPERATING EXPENSES</b>	
Salaries and wages	2,374,923
Employee benefits	1,456,529
General and administrative	4,346,922
Repairs and maintenance	2,185,569
Depreciation	2,560,685
	12,924,628
Operating income (loss)	(8,406,303)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Property taxes	7,357,835
Interest income	155,689
California operating grant	147,748
Federal operating grant	615,466
Gain (loss) on disposal of assets	(16,619)
	8,260,119
Income (loss) before extraordinary item	(146,184)
<b>EXTRAORDINARY ITEM</b>	
Revenue from insurance claim	510,493
<b>Change in net position</b>	364,309
Net position, Beginning of year	53,504,307
Net position, End of year	\$ 53,868,616

**TRUCKEE TAHOE AIRPORT DISTRICT**

**STATEMENT OF CASH FLOWS**

**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017**

	<b>2017</b>
Cash flows from operating activities:	
Cash receipts from customers	\$ 4,566,497
Payments to suppliers	(8,200,412)
Payments on behalf of employees	(3,442,207)
Net cash provided (used) by operating activities	(7,076,122)
Cash flows from noncapital financing activities:	
Receipt of property taxes	5,944,346
Proceeds from loan	7,800,000
Net cash provided by noncapital financing activities	13,744,346
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(4,315,932)
Receipt of FAA and State of California grants	2,437,197
Proceeds from insurance claim	510,493
Proceeds from sale of equipment	55,993
Net cash provided (used) by capital and related financing activities	(1,312,249)
Cash flows from investing activities:	
Interest income received	118,734
Net cash provided (used) by investing activities	118,734
Increase (decrease) in cash and cash equivalents	5,474,709
Beginning cash and cash equivalents	7,974,793
Ending cash and cash equivalents	\$ 13,449,502
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (8,406,303)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,560,685
Decrease (increase) in:	
Accounts receivable	(35,703)
Inventory	(24,254)
Prepaid expenses and deposits	24,238
Deferred outflows of resources	(345,518)
Increase (decrease) in:	
Accounts payable	(1,763,776)
Accrued expenses	(22,517)
Unearned revenue	56,321
Deposits	27,554
Compensated absences	50,953
Interest payable	106,211
Deferred inflows of resources	(109,481)
Net pension liability	805,468
Net cash provided (used) by operating activities	\$ (7,076,122)

The accompanying notes are an integral part of these financial statements.

**TRUCKEE TAHOE AIRPORT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017**  
**AND THE YEAR ENDED SEPTEMBER 30, 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION**

The Truckee Tahoe Airport District (the "District") was established by vote of the District electorate on May 12, 1958, in accordance with the California Airport District Act. The District operates under an elected Board of Directors and provides aviation services for the Truckee and North Lake Tahoe areas.

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The Board of Directors is the level of government which has governance responsibilities over all activities related to operations of the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board, since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

**B. BASIS OF PRESENTATION**

Enterprise Fund

The financial statements of the District consist only of an enterprise fund. The District has no oversight responsibility for any other government entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

Operating Revenues

For financial statement presentation purposes, transactions deemed by management to be ongoing, major, or central to the operation of the airport are reported as operating revenues and expenses. Peripheral or incidental transactions, including tax revenues, investment income, certain grant revenue and interest expenses are reported as nonoperating revenues and expenses.

# TRUCKEE TAHOE AIRPORT DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017  
AND THE YEAR ENDED SEPTEMBER 30, 2016

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### **B. BASIS OF PRESENTATION (continued)**

#### Capital Assets

Capital assets are those assets purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line method over 3 – 40 years depending on asset types.

#### Net Position

Net Position represents the District's financial and capital resources, and is calculated as the difference between assets and liabilities. Net position is represented in three components:

Net investment in capital assets: Capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances on any debt that is attributable to acquisition, construction and improvement of capital assets.

Restricted: Assets whose use is subject to constraints imposed externally by creditors, grantors, contributors, or laws and regulations of other governments, or are imposed externally by law through constitutional provisions or enabling legislation.

Unrestricted: Net position that does not meet the definition of "restricted" or "net investment in capital assets."

### **C. USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on management's informed estimates and judgments, with consideration given to materiality. Actual results could differ from those amounts.

### **D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

#### Economic Resources Measurement Focus

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. The accounting objective of this measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with the District's activities are reported.

**TRUCKEE TAHOE AIRPORT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017**  
**AND THE YEAR ENDED SEPTEMBER 30, 2016**

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**E. CASH AND CASH EQUIVALENTS**

For purposes of the Statement of Net Position, the District considers all short-term, highly liquid investments, including restricted assets, cash in banks and cash in the Local Agency Investment Fund to be cash and cash equivalents. Investments with a maturity of three months or less when purchased are considered to be cash equivalents.

**F. INVESTMENTS**

The Certificates of Deposit held are classified as held-to-maturity investments as the District's management has no intention to sell the investments before their maturity date. The investments are valued at their amortized cost basis, which approximates their fair value.

**G. PROPERTY TAX**

The District receives property taxes to support its operations. The property tax year runs from July 1 through June 30 of the following year. Secured property taxes are levied as an enforceable lien on property as of the first Monday in March. Taxes are payable in two installments, on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The counties of Placer and Nevada bill and collect the taxes for the District. The District accrues property tax revenues throughout its fiscal year based on estimated allocations received from the counties. At the end of each property tax year the actual receipts are reconciled to amounts accrued and adjustments made to the revenue accounts. Property tax revenues for the fifteen months ended December 31, 2017 were as follows:

	<u>2017</u>
Placer County	\$ 5,079,866
Nevada County	<u>2,277,969</u>
Total	<u>\$ 7,357,835</u>

**H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

**TRUCKEE TAHOE AIRPORT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017  
AND THE YEAR ENDED SEPTEMBER 30, 2016**

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**2. CASH AND INVESTMENTS**

**CASH**

A summary of cash and investments held by the District at December 31, 2017 and September 30, 2016 is as follows:

	<u>2017</u>	<u>2016</u>
<b>Cash and Cash Equivalents:</b>		
Cash on Hand	\$ 800	\$ 800
Cash on Deposit at Banks	480,743	736,999
Local Agency Investment Fund	5,166,174	7,236,994
Placer County Investment Fund - Restricted	7,801,785	-
	<u>\$ 13,449,502</u>	<u>\$ 7,974,793</u>

**Deposits - Custodial Credit Risk**

The carrying amount of the District's bank accounts was \$480,743 and the bank balance was \$496,410 at December 31, 2017. Deposits held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities. All cash held by financial institutions at December 31, 2017 was fully insured or collateralized.

**Pooled Funds:**

The District is a voluntary participant in Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The District's investment in this pool is reported in the accompanying financial statements at cost, which approximates fair value. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the District with twenty-four hours notice. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations. The monies held in the LAIF are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

# TRUCKEE TAHOE AIRPORT DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017 AND THE YEAR ENDED SEPTEMBER 30, 2016

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#### Pooled Funds:

LAIF is administered by the State Treasurer and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

#### Restricted Cash:

Restricted cash is held in the Placer County Treasurer's Investment Portfolio for the purpose of construction of a new Executive Hangar for which a loan was secured (See note 4).

Cash in Placer County Treasury consist of cash deposited in the interest-bearing Placer County Treasurer's Investment Portfolio. Investments are recorded at cost, which approximates fair value. Because Truckee Tahoe Airport District's deposits are maintained in a recognized pooled investment fund under the care of a third party and Truckee Tahoe Airport District's share of the pool does not consist of specific, identifiable investment securities owned by Truckee Tahoe Airport District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. The Truckee Tahoe Airport District's deposits in the Fund are considered to be highly liquid although are restricted for the specific purpose of construction of a new Executive Hangar.

As permitted under applicable state laws, the Placer County Treasurer may invest in derivative securities. However, at June 30, 2017, the Placer County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

#### INVESTMENTS

Pursuant to the District's investment policy, and in accordance with California Government Code, the following investments are authorized:

- United States Treasury Bills, Bonds and Notes
- Obligations issued by Agencies of the United States Government
- Federal Deposit Insurance Corporation insured or fully collateralized Certificates of Deposit
- California Local Agency Investment Fund

The District's Investments are recorded at fair value at December 31, 2017 and September 30, 2016 as follows:

	<u>2017</u>	<u>2016</u>
<b>Investments:</b>		
Certificates of Deposits	\$ 1,500,000	\$ 1,500,000



**TRUCKEE TAHOE AIRPORT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017**  
**AND THE YEAR ENDED SEPTEMBER 30, 2016**

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The Certificates of Deposit mature as follows:

Year Ended December 31	Amount
2018	\$ 500,000
2019	1,000,000
Total	<u>\$ 1,500,000</u>

Interest Rate Risk

The District has a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2017 and September 30, 2016, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District has a formal investment policy that limits its investment choices within the limitations of State law.

Concentration of Credit Risk

The District places limits on the amount it may invest in anyone issuer. At December 31, 2017 and September 30, 2016, the District had no concentration of credit risk.

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at December 31, 2017 are as shown below:

Description	Level 1	Level 2	Level 3	Total
Wells Fargo	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000

# TRUCKEE TAHOE AIRPORT DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017 AND THE YEAR ENDED SEPTEMBER 30, 2016

### 3. PROPERTY AND EQUIPMENT

Property, plant and equipment is stated at cost for those items that were purchased and at appraised values as of the date of receipt for those items that were received as gifts.

Capital asset activity for the fifteen months ended December 31, 2017 and the year ended September 30, 2016, are as follows:

	Balance September 30, 2016	Additions	Deletions	Balance December 31, 2017
Property not depreciated:				
Land and Easements	\$ 14,966,105	\$ -	\$ -	\$ 14,966,105
Construction In Progress	10,198,971	4,125,607	(11,862,305)	2,462,273
Total Property not Depreciated	<u>25,165,076</u>	<u>4,125,607</u>	<u>(11,862,305)</u>	<u>17,428,378</u>
Subject to depreciation:				
Land Improvements	21,512,025	4,890,837	(162,693)	26,240,169
Buildings and Improvements	18,282,344	6,959,423	(174,677)	25,067,090
Equipment	7,580,532	202,370	(298,211)	7,484,691
Total Property Being Depreciated	<u>47,374,901</u>	<u>12,052,630</u>	<u>(635,581)</u>	<u>58,791,950</u>
Less accumulated depreciation:				
Land Improvements	(12,526,670)	(1,369,013)	162,692	(13,732,991)
Buildings and Improvements	(10,208,479)	(610,203)	138,938	(10,679,744)
Equipment	(4,630,124)	(581,469)	261,337	(4,950,256)
Total Property Being Depreciated	<u>(27,365,273)</u>	<u>(2,560,685)</u>	<u>562,967</u>	<u>(29,362,991)</u>
Total Property and Equipment Being Depreciated, net	<u>20,009,628</u>	<u>9,491,945</u>	<u>(72,614)</u>	<u>29,428,959</u>
Property and Equipment, net	<u>\$ 45,174,704</u>	<u>\$ 13,617,552</u>	<u>\$ (11,934,919)</u>	<u>\$ 46,857,337</u>

  

	Balance September 30, 2015	Additions	Deletions	Balance September 30, 2016
Property not depreciated:				
Land and Easements	\$ 14,966,105	\$ -	\$ -	\$ 14,966,105
Construction In Progress	794,057	9,404,914	-	10,198,971
Total Property not Depreciated	<u>15,760,162</u>	<u>9,404,914</u>	<u>-</u>	<u>25,165,076</u>
Subject to depreciation:				
Land Improvements	21,606,220	\$ -	(94,195)	21,512,025
Buildings and Improvements	18,346,751	-	(64,407)	18,282,344
Equipment	7,064,823	569,325	(53,616)	7,580,532
Total Property Being Depreciated	<u>47,017,794</u>	<u>569,325</u>	<u>(212,218)</u>	<u>47,374,901</u>
Less accumulated depreciation:				
Land Improvements	(11,955,142)	(663,870)	92,342	(12,526,670)
Buildings and Improvements	(9,468,070)	(792,889)	52,480	(10,208,479)
Equipment	(4,245,100)	(438,640)	53,616	(4,630,124)
Total Property Being Depreciated	<u>(25,668,312)</u>	<u>(1,895,399)</u>	<u>198,438</u>	<u>(27,365,273)</u>
Total Property and Equipment Being Depreciated, net	<u>21,349,482</u>	<u>(1,326,074)</u>	<u>(13,780)</u>	<u>20,009,628</u>
Property and Equipment, net	<u>\$ 37,109,644</u>	<u>\$ 8,078,840</u>	<u>\$ (13,780)</u>	<u>\$ 45,174,704</u>

**TRUCKEE TAHOE AIRPORT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017**  
**AND THE YEAR ENDED SEPTEMBER 30, 2016**

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**4. NOTE PAYABLE**

As of December 31, 2017 long-term debt consisted of the following:

	2017
Beginning Balance	\$ -
Borrowings	7,800,000
Payments	-
Ending Balance	7,800,000
Due Withing One Year	275,816
Long Term Portion	\$ 7,524,184

Truckee Tahoe Airport District secured a twenty year note payable to a bank, dated August 8, 2017, payable in 20 yearly installments of \$549,000, including interest at 3.5% to fund the building of a new executive hangar. The balance at December 31, 2017 is \$7,800,000.

Future annual principle payments are estimated as follows:

December 31	Principal	Interest	Total
2018	\$ 275,816	\$ 273,000	\$ 548,816
2019	285,470	263,346	548,816
2020	295,461	253,355	548,816
2021	305,803	243,014	548,817
2022	316,506	232,311	548,817
2023-2027	1,756,654	987,428	2,744,082
2028-2032	2,086,355	657,728	2,744,083
2033-2037	2,477,935	266,147	2,744,082
	\$ 7,800,000	\$ 3,176,329	\$ 10,976,329

**5. EMPLOYEE RETIREMENT PLAN**

**A. Plan Description**

All qualified permanent and probationary employees are eligible to participate in Truckee Tahoe Airport District's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Truckee Tahoe Airport District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

# TRUCKEE TAHOE AIRPORT DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017 AND THE YEAR ENDED SEPTEMBER 30, 2016

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at December 31, 2017, are summarized as follows:

Hire date	Prior to July 29, 2012	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.09% - 2.41%	1.0% - 2.5%
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	11.675%	7.200%	6.533%

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fifteen months ended December 31, 2017 and the fiscal year ended 2016, the contributions recognized as part of pension expense for the Plan were \$141,408 and \$223,458, respectively.

**TRUCKEE TAHOE AIRPORT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017**  
**AND THE YEAR ENDED SEPTEMBER 30, 2016**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of December 31, 2017 and September 30, 2016, the Truckee Tahoe Airport District reported net pension liabilities for its proportionate share of the net pension liability of \$2,512,030 and \$1,706,562 respectively.

Truckee Tahoe Airport District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. Truckee Tahoe Airport District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2015 was as follows:

Proportion - June 30, 2017	0.06372%	
Proportion - June 30, 2015	0.06220%	
Change - Increase (Decrease)	0.00152%	

For the fifteen months ended December 31, 2017 and the fiscal year ended September 30, 2016, the District recognized pension expense of \$675,269 and \$51,422, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2017

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 141,408	\$ -
Difference between projected and actual experience	3,134	44,898
Difference in actual vs. projected contributions	-	16,679
Change in proportion	228,349	
Changes in assumptions	359,189	-
Net differences between projected and actual earnings on plan investments	87,939	-
Total	\$ 820,019	\$ 61,577

**TRUCKEE TAHOE AIRPORT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017  
AND THE YEAR ENDED SEPTEMBER 30, 2016**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

\$141,408 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Measurement Period Ended June 30</b>	
2018	\$ 142,400
2019	\$ 131,021
2020	\$ 202,480
2021	\$ 113,241
2022	\$ 27,892

September 30, 2016

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 223,458	\$ -
Difference between projected and actual experience	12,043	-
Difference in actual vs. projected contributions	40,873	-
Change in proportion	198,127	-
Changes in assumptions	-	113,939
Net differences between projected and actual earnings on plan investments	-	57,119
<b>Total</b>	<u>\$ 474,501</u>	<u>\$ 171,058</u>

\$223,458 reported as deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the current year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Measurement Period Ended June 30</b>	
2016	\$ 7,821
2017	\$ 7,821
2018	\$ (3,558)
2019	\$ 67,902

**TRUCKEE TAHOE AIRPORT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017**  
**AND THE YEAR ENDED SEPTEMBER 30, 2016**

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**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

*Actuarial Assumptions* – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the CalPERS Experience Study for the period from 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**TRUCKEE TAHOE AIRPORT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017  
AND THE YEAR ENDED SEPTEMBER 30, 2016**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Current Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

– The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	\$ 3,915,888	\$ 2,512,030	\$ 1,349,331



**TRUCKEE TAHOE AIRPORT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017  
AND THE YEAR ENDED SEPTEMBER 30, 2016**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**C. Payable to the Pension Plan**

The District had no outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

**6. DEFERRED COMPENSATION PLAN**

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

It is the District’s position that it has a fiduciary obligation for the due care required of a prudent investor in the management of the plan’s resources but is not responsible for any loss due to the investment or failure of investment funds and assets of the plan, nor shall the District be required to replace any loss which may result from such investments.

**7. COMPENSATED ABSENCES**

The District offers certain qualifying employees paid vacation, sick and holiday leave. Changes in obligations for vacation, sick and holiday leave at December 31, 2017 and September 30, 2016, are as follows:

	September 30, 2016	Net Change	December 31, 2017	Due Within One Year
Accrued Vacation	\$ 128,819	\$ 16,717	\$ 145,536	\$ 145,536
Accrued Sick Leave	131,330	25,887	157,217	157,217
Accrued Holiday Leave	18,672	8,349	27,021	27,021
Total	<u>\$ 278,821</u>	<u>\$ 50,953</u>	<u>\$ 329,774</u>	<u>\$ 329,774</u>

	September 30, 2015	Net Change	September 30, 2016	Due Within One Year
Accrued Vacation	\$ 105,167	\$ 23,652	\$ 128,819	\$ 128,819
Accrued Sick Leave	128,587	2,743	131,330	131,330
Accrued Holiday Leave	16,626	2,046	18,672	18,672
Total	<u>\$ 250,380</u>	<u>\$ 28,441</u>	<u>\$ 278,821</u>	<u>\$ 278,821</u>

# TRUCKEE TAHOE AIRPORT DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017  
AND THE YEAR ENDED SEPTEMBER 30, 2016

### 8. NET POSITION

#### INVESTED IN CAPITAL ASSETS

Net position invested in capital assets increased upon acquisition of property and equipment financed by Federal Aviation Administration ("FAA") and State of California grants and District resources and is decreased by depreciation expense and disposition of assets. Net position invested in capital assets for the fifteen months ended December 31, 2017 and the year ended September 30, 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Net investment in Capital Assets:		
Beginning of Year	\$ 45,174,704	\$ 37,109,644
District Investment in Property and Equipment	4,315,932	9,974,239
Dispositions and Transfers	(72,614)	(13,780)
Depreciation Expense	(2,560,685)	(1,895,399)
Net investment in Capital Assets - End of Year	<u>\$ 46,857,337</u>	<u>\$ 45,174,704</u>

#### UNRESTRICTED NET POSITION

The District has designated unrestricted net position as follows as of December 31, 2017 and September 30, 2016:

	<u>2017</u>	<u>2016</u>
Debt retirement	\$ 550,000	\$ -
Pavement Maintenance Capital Reserve	1,000,000	2,000,000
Facility Maintenance Reserve	400,000	600,000
Forest Management Reserve	300,000	500,000
Utility Capital Reserve	100,000	150,000
Operating Funds	1,411,279	2,329,603
Hangar 2 / ATC Tower Projects	1,500,000	-
Annoyance Reduction / Outreach Reserve	500,000	-
Land Acquisition	1,000,000	1,000,000
Rolling Stock Reserve	250,000	250,000
Property Acquisition	-	1,500,000
Total	<u>\$ 7,011,279</u>	<u>\$ 8,329,603</u>

# TRUCKEE TAHOE AIRPORT DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017 AND THE YEAR ENDED SEPTEMBER 30, 2016

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#### 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For workers' compensation insurance, the District has joined together with other special districts within the State of California to form a Joint Powers Authority, the Special District Risk Management Authority (SDRMA).

SDRMA is governed by a Board consisting of representatives from member agencies. The Board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. Full financial statements are available from SDRMA. Condensed information for SDRMA for the year ended June 30, 2017 is as follows:

Total Assets	\$ 111,852,055
Deferred Outflows of Resources	637,936
Total Assets & Deferred Outflows	<u>\$ 112,489,991</u>
Total Liabilities	\$ 62,077,098
Deferred Inflows of Resources	171,678
Total Net Position	<u>50,241,215</u>
Total Liabilities, Deffered Inflows & Net Position	<u>\$ 112,489,991</u>
Total Revenues	\$ 65,807,742
Total Expenses	<u>67,709,911</u>
Change in Net Position	<u>\$ (1,902,169)</u>

#### 10. COMMITMENTS AND CONTINGENCIES

The District has entered into contractual agreements for the various capital projects currently under construction. The remaining commitments on these contracts are approximately \$7,764,265 and \$403,009 at December 31, 2017 and 2016, respectively.

As of December 31, 2017, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

**TRUCKEE TAHOE AIRPORT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017**  
**AND THE YEAR ENDED SEPTEMBER 30, 2016**

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**11. LAND USAGE AGREEMENT**

In June 2008, the District purchased the Ponderosa Golf Course, an operating golf course located in the airport's flight path, for approximately \$3,180,000. The land and facilities were immediately leased to the Truckee Donner Recreation and Park District ("TDRPD") and accompanying operational equipment was sold to TDRPD for a nominal fee. As long as TRRPD operates the property for recreational purposes and in compliance with the associated conservation easement, annual rent will be waived by the District. As of December 31, 2017 and September 30 2016, TDRPD operated the property as a golf course and is in compliance with the lease agreement.

**12. DISPOSAL OF ASSETS**

There was a loss of \$16,619 due to the disposal of fixed assets that had not been fully depreciated at the time of disposition.

**13. EXTRAORDINARY ITEM**

The extraordinary item for the year ended December 31, 2017 includes insurance recoveries related to a claim on hanger damage due to weather in the amount of \$510,493.

**14. CHANGE OF FISCAL YEAR END**

The financial year end of Truckee Tahoe Airport District was changed from September 30 to December 31. Accordingly, the current financial statements are prepared for 15 months from October 1, 2016 to December 31, 2017.

**15. SUBSEQUENT EVENTS**

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended December 31, 2017 through **DATE**, the date the financial statements were issued. Management is not aware of any other subsequent events that would require recognition or disclosure in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TRUCKEE TAHOE AIRPORT DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY**

**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017  
AND THE YEAR ENDED SEPTEMBER 30, 2016**

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	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2017</u> <sup>(1)</sup>
Proportion of the net pension liability	0.05277%	0.06220%	0.06372%
Proportionate share of the net pension liability	\$ 1,304,288	\$ 1,706,562	\$ 2,512,031
Covered-employee payroll <sup>(2)</sup>	\$ 1,285,894	\$ 1,886,199	\$ 2,180,008
Proportionate share of the net pension liability as percentage of covered-employee payroll	101.43%	90.48%	115.23%
Plans fiduciary net position as a percentage of the total pension liability	83.03%	79.89%	79.89%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 172,553	\$ 167,988	\$ 214,090

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Covered-employee payroll represented above is based on pensionable earnings provided by the employer.

<sup>(3)</sup> The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

**TRUCKEE TAHOE AIRPORT DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017**  
**AND THE YEAR ENDED SEPTEMBER 30, 2016**

	Fiscal Year <sup>(1)</sup>		
	2013-14	2014-15	2016-17
Actuarially Determined Contribution (2)	\$ 185,517	\$ 223,458	\$ 141,408
Contributions in relation to the actuarially determined contributions (2)	(185,517)	(167,988)	(214,090)
Contribution deficiency (excess)	\$ -	\$ 55,470	\$ (72,682)
Covered-employee payroll (3,4)	\$ 1,285,894	\$ 1,886,199	\$ 2,180,008
Contributions as a percentage of covered-employee payroll (3)	14.43%	11.85%	6.49%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

(3) Covered-employee payroll represented above is based on pensionable earnings provided by the employer.

(4) Payroll from prior year was assumed to increase by the 3.00 percent payroll growth assumption.

## **SUPPLEMENTARY INFORMATION**



**TRUCKEE TAHOE AIRPORT DISTRICT**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2017**

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<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
Airport Improvement Program	20.106	3-06-0262-032	\$ 98,468
Airport Improvement Program	20.106	3-06-0262-034	224,719
Airport Improvement Program	20.106	3-06-0262-035	75,322
Airport Improvement Program	20.106	3-06-0262-036	216,957
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			\$ 615,466

## **OTHER AUDITOR'S REPORTS**



# James Marta & Company LLP

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**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**

Board of Directors  
Truckee Tahoe Airport District  
Truckee, California

We have audited the financial statements of Truckee Tahoe Airport District (the "District"), as of December 31, 2017 and September 30, 2016 and for the fifteen months ended December 31, 2017, and have issued our report thereon dated **DATE**. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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*.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**DRAFT**

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California

**DATE**