



**James Marta & Company**  
**Certified Public Accountants**

*Accounting, Auditing, Consulting, and Tax*

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June 13, 2012

Jane Dykstra  
Director of Finance and Administration  
Truckee Tahoe Airport District  
10356 Truckee Airport Road  
Truckee, California 96161

We are pleased to confirm our understanding of the services we are to provide for Truckee Tahoe Airport District for the years ending September 30, 2012, 2013, 2014, 2015 and 2016.

**I. SCOPE OF WORK**

We have been engaged to perform an audit of Truckee Tahoe Airport District's basic financial statements for the years ending September 30, 2012, 2013, 2014, 2015 and 2016.

**II. MANAGEMENT'S RESPONSIBILITIES**

At the outset, it is imperative that we state the scope of your responsibilities in connection with this engagement. The financial statements are the responsibility of Truckee Tahoe Airport District's management. Encompassed in that responsibility are the establishment and maintenance of effective internal control over financial reporting, the establishment and maintenance of proper accounting records, and the selection of appropriate accounting principles.

Management is responsible for the design and implementation of programs and controls to prevent or detect fraud, and for informing us about all known or suspected fraud affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, management is responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

We will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. You are responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. As part of our engagement we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on your financial statements. Further, you are responsible for designating a qualified management-level individual to be responsible and accountable for overseeing these services.

Management hereby promises that it will make every diligent effort to maintain proper books and records that accurately reflect its business activities that it will be completely truthful with James Marta & Company and that James Marta & Company may rely upon both oral and written statements and responses to questions. Management further promises to immediately advise James Marta & Company if it becomes aware of any inaccuracy in its record-keeping or dishonesty in any of its business dealings, including its statements to James Marta & Company. Management acknowledges that the promises are the cornerstone of its relationship with James Marta & Company and are made to induce James Marta & Company to accept this audit engagement, and that James Marta & Company would not accept this audit engagement without such promises.

### **III. OUR RESPONSIBILITY**

Our responsibility is to express an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles, and is limited to the period covered by our audit. Facts and circumstances may require us to qualify that opinion, or to disclaim it, or to express an adverse opinion. Other facts and circumstances may require us to provide additional information on our report. We will keep you informed if and when we begin to reach conclusions that our report may need to be modified because of such facts and circumstances.

### **IV. CHARACTER AND LIMITATIONS OF AN AUDIT**

Our audit will be conducted in accordance with generally accepted auditing standards (GAAS), standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAGAS), the State Controller's Minimum Audit Requirements for California Special Districts and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we initially assess the risk that errors, fraud, irregularities, and illegal acts may cause the financial statements to contain a material misstatement. This is necessary because we do not audit all the transactions and balances in the financial statements, only a selected portion of them, in some cases a very small portion. The costs for us to examine a large portion of them, or all of them of a certain category, or all of them in all categories, would be prohibitive. Consequently, there are risks.

In making this initial assessment, we are required to obtain an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of financial statements and to design appropriate audit procedures. Those considerations mandate your complete cooperation and honesty about your knowledge and understanding of the possibility of the existence of errors, fraud, irregularities and illegal acts. By signing this letter, you agree that you will provide this cooperation and that you will be totally honest with us.

Based on that assessment, the standards require us to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by errors, fraud, irregularities and illegal acts. Accordingly, a material misstatement may remain undetected. Furthermore, an audit is not designed to detect error or fraud that is immaterial to the financial statements. While we are required to exercise due care and professional skepticism, since our opinion is based on the concept of reasonable assurance, we are not an insurer and our report does not constitute a guarantee. We will inform you of all matters of fraud that come to our attention. We will also inform you of illegal acts that come to our attention, unless they are clearly inconsequential. We will inform you of any need to extend our procedures because of them and our estimate of their additional cost.

The discovery, subsequent to the date of the auditor's report, that one or more errors, frauds, irregularities, or illegal acts causing the financial statements to contain one or more material misstatements, have occurred does not necessarily mean that our audit was not conducted in accordance with generally accepted auditing standard.

An audit includes obtaining an understanding of internal control sufficient to plan the audit, but is not designed to provide assurance on internal control or to identify significant deficiencies conditions. However, during the audit, if we become aware of such reportable conditions or ways that we believe management practices can be improved, we will communicate them to you in a separate letter.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, legal counsel, creditors, and financial institutions.

Management is responsible for making all financial records and related information available for purposes of the audit. In the event that the financial information provided is incomplete or inaccurate, then we will either complete the work at our standard rate, or delay the audit until this information is complete and accurate.

At the conclusion of our audit, we will require you to furnish us a management representation letter confirming, among others, your responsibility for your financial statements and for the design and implementation of program and controls to prevent and detect fraud. This letter is a required audit procedure prior to issuing our report. By signing this engagement letter and furnishing a management representation letter, Truckee Tahoe Airport District agrees to indemnify us and hold us harmless for any damages, including attorney's fees, caused in whole or in part by Truckee Tahoe Airport District's failure to fulfill these responsibilities.

## V. OTHER STIPULATIONS

### Fees

Our fees for the audits for the years ending September 30, 2012 through 2016 as listed in our proposal are as follows:

Financial Audit	\$ 16,600
Single Audit	3,500
State Controllers Report	500
Total Fees for 2012	<u>\$ 20,600</u>
For the Year Ended September 30, 2012	\$ 20,600
For the Year Ended September 30, 2013	\$ 21,300
For the Year Ended September 30, 2014	\$ 22,000
For the Year Ended September 30, 2015	\$ 22,800
For the Year Ended September 30, 2016	\$ 23,600

This fee includes the costs of a board presentation in Truckee, California; additional cost will be added for time and travel expense to an alternate location. Invoices are payable upon presentation. Unpaid fee balances 60 days over due will bear interest at 18 percent per annum.

Whenever possible, we will attempt to use your organization's personnel to assist in the preparation of schedules and analyses of accounts. We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing. This effort could substantially reduce our time requirements, facilitate the timely conclusion of the audit, and help you hold down audit fees. If assistance is not provided or accounting is not complete and we must complete these items, the additional time and costs will be charged at our standard hourly rates.

Our initial fee estimate assumes we will receive the aforementioned assistance from your personnel and unexpected circumstances will not be encountered. In the event that the GASB, FASB, AICPA, GAO, or the State issues additional standards or audit procedures that require additional work during the audit period, we will discuss these requirements with you before proceeding further. Before starting the additional work, we will prepare an estimate of the time necessary, as well as the fee for performing the additional work. Our fee for addressing the additional requirements will be our standard hourly rates for each person involved in the additional work.

### Reports

We will provide you with an electronic copy and 15 bound copies of the report. If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

**Working Papers**

The working papers for this engagement are the property of James Marta & Company and constitute confidential information. However, we may be requested to make certain working papers available or provide copies of them to certain regulators pursuant to authority given to it by law or regulation. If requested, access to such working papers will be provided under the supervision of James Marta & Company.

We agree to retain our workpapers related to this audit for a period of at least seven (7) years from the date of our report.

**Mediation Provision**

Disputes arising under this agreement (including scope, nature, and quality of services to be performed by us, our fees and other terms of the engagement) shall be submitted to mediation. A competent and impartial third party, acceptable to both parties shall be appointed to mediate, and each disputing party shall pay an equal percentage of the mediator’s fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator’s first meeting with the involved parties. If the dispute requires litigation, the court shall be authorized to impose all defense costs against any non-prevailing party found not to have participated in the mediation process in good faith.

Several technical accounting and auditing words and phrases have been used herein. We presume you to understand their meaning or that you will notify us otherwise so that we can furnish appropriate explanations.

If the foregoing is in accordance with your understanding, please indicate your agreement by signing the duplicate copy of this letter and returning it to us.

We appreciate the opportunity to serve you and look forward to working with you and your staff.



James Marta & Company  
Certified Public Accountants

RESPONSE:

This letter correctly sets forth our understanding.

Approved by: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_