TRUCKEE TAHOE AIRPORT DISTRICT
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED

SEPTEMBER 30, 2015 AND 2014

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TRUCKEE TAHOE AIRPORT DISTRICT

SEPTEMBER 30, 2015

BOARD OF DIRECTORS

John B. Jones, Jr. –President

Lisa Wallace – Vice President

James W. Morrison – Director

Mary Hetherington - Director

J. Thomas Van Berkem - Director

* * * *

General Manager
Kevin Smith

TRUCKEE TAHOE AIRPORT DISTRICT

SEPTEMBER 30, 2015

TABLE OF CONTENTS

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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 September 30, 2015 and 2014 and the related Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and notes to the financial statements for the years then ended, 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.

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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 September 30, 2015 and 2014 and the results of its operations and its cash flows for the years then ended 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.

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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 Truckee Tahoe Airport District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contribution Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Truckee Tahoe Airport District has not restated the actual and pro forma effect of the statements on the financial statements as of and for the year ended September 30, 2014. This data is not readily available due to an actuary study not being prepared in accordance with GASB 68 for measurement dates prior to September 30, 2014. Our opinion is not modified with respect to this matter.

The effects of this restatement are described in Note 4 to the basic financial statements. The District currently funds this obligation on a pay-as-you go basis. The District anticipates that its ongoing funding and current resources are sufficient to meet its obligations as they come due.

<u>Other Reporting Required by Government Auditing Standard</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016 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.

James Marta + Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 fiscal year ended September 30, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board (GASB) Statement 68-Accounting and Financial Reporting for Pensions. This change in accounting principle required a restatement and reduction of beginning net position in the amount of $1.6 million.
- In the fiscal year ended September 30, 2015, the District's operating revenues increased $180,000 (6%) over the prior fiscal year. This is primarily due to increased fuel sales in 2015.
- The District received funding through Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants in the amount of $300,000 to complete pavement rehabilitation and airfield infrastructure projects.
- The District saw property tax revenues increase 10% in the fiscal year ended September 30, 2015.
- The District's personnel costs were up 6% ($100,000) from the prior fiscal year.
- Operating, general and administrative expenses were up $1.4 million from the prior fiscal year. The increase was primarily a result of a community/agency partnership with the Truckee Donner Recreation and Parks District (TTRPD) with an expenditure of $930,000. Other than that, there were not any other significant variances.
- Repair and maintenance expenses were similar to the prior fiscal year. In fiscal year 2015, the District completed only $340,000 in pavement maintenance, less than the prior recent years. The pavement projects received funding from the FAA in the amount of $300,000 in the current year.
- Due to long term fiscal discipline, the Truckee Tahoe Airport District is in excellent financial condition. The District's net position is $48.2 million, down from the prior year with the GASB 68 adjustment and the expenditure to TDRPD noted above. The District has designated the unrestricted net position for future capital projects, contingencies and an anticipated change to accounting standards.

OPERATIONAL HIGHLIGHTS

- In February 2015, the District entered into a lease and construction development agreement with Clear Capital.com, Inc., to construct a 12,000 square foot office building on the District's property. This building is designed to also house the car rental facilities and will allow for expansion of those operations. Long Term Parking will be relocated in the process. Completion is expected mid-summer 2016.
- During the FYE 9/30/15, fuel costs have been declining. This has resulted in decreased gross sales and associated decreased cost of goods. Gallons of JetA sold has increased by 7.5% and gallons sold of 100LL has decreased by 14% with a net increase of 2.6%.

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, liabilities and the difference between them, known as net position, at the end of the fiscal years, September 30, 2015 and September 30, 2014. 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 September 30, 2015 and 2014 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.

FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

The District's net position at September 30, 2015 totaled $48,224,157 compared with $49,906,465 at September 30, 2014. As noted in the Financial Highlights, due to long term fiscal discipline, the Truckee Tahoe Airport District is in excellent financial condition. The District's net position is $48 million, down from the prior year with the GASB 68 adjustment and the expenditure to TDRPD noted previously. 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.

	September 30, 2015	September 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)	September 30, 2013
Assets:					
Cash and Equivalents	$ 10,765,026	$ 11,312,145	$ (547,119)	-4.8%	$ 9,253,459
Other Current Assets	1,890,117	2,109,668	(219,551)	-10.4%	3,015,098
Total Current Assets	12,655,143	13,421,813	(766,670)	-5.7%	12,268,557
Investments	1,250,000	1,000,000	250,000	25.0%	250,000
Noncurrent Receivable	17,500	20,000	(2,500)	-12.5%	522,500
Net Property, Plant and Equipment	37,109,644	37,386,324	(276,680)	-0.7%	37,336,450
Total Assets	51,032,287	51,828,137	(795,850)	-1.5%	50,377,507
Deferred Outflows	197,011	-	197,011	0.0%	-
Liabilities:					
Current Liabilities	1,232,975	1,840,355	(607,380)	-33.0%	1,998,795
Long Term Liabilities	1,304,288	81,317	1,222,971	1504.0%	82,683
Total Liabilities	2,537,263	1,921,672	615,591	32.0%	2,081,478
Deferred Inflows	467,878	-	467,878	0.0%	-
Net Position					
Invested in Capital Assets, Net	37,109,644	37,386,324	(276,680)	-0.7%	37,336,450
Restricted	16,468	16,468	-	0.0%	16,468
Unrestricted	11,098,045	12,503,673	(1,405,628)	-11.2%	10,943,111
Total Net Position	48,224,157	$ 49,906,465	$ (1,682,308)	-3.4%	48,296,029

The September 30, 2015 cash and cash equivalents balance increased $547,000 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, and also holds some certificates of deposit. The investment line shows the Certificates of Deposit held by the District with a maturity beyond one year and is up from $1,000,000 in 2014 to $1,250,000 in 2015.

The decrease in net property, plant and equipment is primarily related to purchases of equipment offset by depreciation of District's assets.

The increase in Long Term Liabilities is the net pension liability and reflects the adoption of GASB 68, Accounting and Financial Reporting for Pensions. In previous years, the Board of Directors had designated $1.5 million of unrestricted net position in anticipation of recording the net pension liability.

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 $11 million of unrestricted net position, approximately $5 million has been designated 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 slightly greater than the prior year, due to increased fuel sales net revenue. In the current fiscal year there was a 3% increase in the number of gallons of fuel sold. Hangar and revenues from other business leasing revenues increased slightly as a result of consumer price index adjustments, and warehouse rentals were down slightly with one vacancy.

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

	September 30, 2015	September 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)	September 30, 2013
Net Operating Revenues:	$ 2,881,284	$ 2,702,074	$ 179,210	6.6%	$ 2,571,464
Operating Expenses, Net of Depreciation	(6,393,833)	(4,807,884)	(1,585,949)	33.0%	(5,780,888)
Operating Loss before Depreciation	(3,512,549)	(2,105,810)	(1,406,739)	66.8%	(3,209,424)
Depreciation Expense	(1,942,896)	(1,891,878)	(51,018)	2.7%	(1,853,450)
Net Operating Loss	(5,455,445)	(3,997,688)	(1,457,757)	36.5%	(5,062,874)
Non-operating Income:					
Property Tax Revenue	5,029,325	4,604,584	424,741	9.2%	4,530,360
Gain (Loss) on Disposal of Assets	-	(308,443)	308,443	-100.0%	(33,598)
Grant Revenues-Capital/Operating	301,124	1,249,710	(948,586)	-75.9%	1,395,997
Interest and Other Non-operating Income	52,263	62,273	(10,010)	-16.1%	54,407
Total Non-operating Income	5,382,712	5,608,124	(225,412)	-4.0%	5,947,166
Change in Net Position	(72,733)	1,610,436	(1,683,169)	-104.5%	884,292
Change in Accounting Principle	(1,609,575)	-	(1,609,575)	0.0%	-
Net Position, Beginning-Restated	48,296,890	48,296,029	861	0.0%	47,411,737
Net Position, Ending	$ 48,224,157	$ 49,906,465	$ (1,682,308)	-3.4%	$ 48,296,029

Operating expenses, net of depreciation, increased $1,585,949 or 33%, 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 largest single line item increase of $930,000 was a new program, Community/Agency Partnership, with Truckee Donner Recreation and Parks District. 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 an FAA AIP grant, the District expended $334,582 on resurfacing and rehabilitation projects. The related grant revenues of $301,124 are included in the grant revenue line above.

Property tax revenues were up, increasing $425,000, or 9%, from the prior fiscal year. Of the total grant revenues shown above, all represent FAA operating grant revenues for pavement maintenance and other eligible expenses.

CAPITAL ASSETS

At September 30, 2015, the District had over $37 million invested in a broad range of capital assets net of depreciation. The amounts invested in capital assets, net of related accumulated depreciation, are shown in the table below.

Capital Assets – Net of Depreciation

		September 30, 2015		September 30, 2014		September 30, 2013
Land and Easements	$	14,966,105	$	14,966,105	$	14,753,927
Building and Building Improvements		8,878,681		9,671,416		10,207,836
Land Improvements		9,651,078		10,390,372		9,918,621
Equipment		2,819,723		2,328,251		2,434,523
Construction in Progress		794,057		30,180		21,543
	$	37,109,644	$	37,386,324	$	37,336,450

The net capital asset balance decreased $276,680 during the 2014-2015 fiscal year. That amount includes net capital additions of $1,666,216 offset by $1,942,896 in depreciation expense 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 year ended September 30, 2015
Taxiway A & Runway 2-20-AIP #32 & #34	$	308,009
Airside Improvements		215
Maintenance / Airfield Operations Equipment		882,884
Clear Capital Building		452,429
Accounting Software		19,240
Tahoe City Helipad Design and Miscellaneous		3,439
Total Additions	$	1,666,216

ECONOMIC FACTORS AND BUDGET

Based on the strategic plan adopted by the Board of Directors, the fiscal year 2016 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.

More than half of the airside operating revenues budgeted for the upcoming fiscal year are related to the sale of JetA fuel. The District saw an increase in the number of gallons of JetA fuel sold in fiscal year 2015, 7.5% more than in the prior year. The District feels that JetA fuel sales are trending upward and has included that as a factor in the budgeting process. The gross margin for the District's fuel sales is based on a standard mark-up per gallon. This mark-up is designed to cover the costs associated with providing fueling services and a healthy profit margin. A decrease or increase in fuel costs will impact total revenues and related cost of sales and variances to the budgeted amounts.

The consumer price index adjustment clause in the District's hangar rental contract resulted in no increase to the rental rate per square foot for the box hangars beginning in September of 2015 with the consumer price increase below .5%. The t-hangar tenant turnover during the past twelve months has leveled out and now has a waiting list, while demand for box hangars have remained strong. Other business leases and warehouse revenues are budgeted to increase, and to reflect the consumer price index rate adjustment that is contained in each tenant's current contract. One of the commercial aviation real estate building on the Airport has been vacant since September of 2013, but the District has entered a lease agreement with the Truckee Roundhouse (Makerspace), a non-profit organization, for a discounted lease on this space once some improvements are completed.

The importance of public outreach is not limited to the District's master planning process. The 2015-2016 budget reinforces the District's commitment to focus on community outreach and communication. The Board of Directors budgeted funds to be used as sponsorship for another Air Show. The 2012, 2013, 2014 and 2015 events were very successful, not just in terms of community approval, but also as a fundraiser for the non-profit organizations involved. The fiscal 2016 budget contains funding to take the event to a higher level in the summer of 2016. 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 contracted 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 past spring, The District was honored with a District of Excellence Transparency Certificate from the California Special Districts Association.

The funding of the above mentioned programs, along with continuing efforts included in the fiscal 2015-2016 budget such as the Fly Quiet incentive program, annoyance monitoring and ACAT working to have a lower-impact approach pattern approved by the FAA, 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. These documents were created to focus the District's resources on the most efficient and effective way to maintain the District's infrastructure. The prescriptive maintenance will be evaluated by District's Staff and the condition of the assets, as well as future needs and other factors, will be considered before proceeding with the projects. These plans include a forecast for the next ten years, and will be a valuable tool in fiscal planning for the District going forward.

The fiscal year 2015-2016 budget also includes a variety of both grant-eligible and other capital projects. Over $5 million in pavement maintenance projects is budgeted with an anticipated 90% reimbursement from the FAA. The construction of the Warehouse Office Building has $4.5 million earmarked in the upcoming year. Other large budgeted projects include expansion of the of the Maintenance Building, upgrades and improvements to the Warehouse Building for the Truckee Roundhouse, completion of the Tahoe City Emergency Helipad and replacement of two pieces of equipment: a Cat Loader and a Jet Refueler. Through the budget process, and review of the Capital Facility plans, the Board of Directors reviews significant capital projects. The availability of grant funds is taken into consideration before a commitment is made to begin a project. One aspect of the Board's review of any new capital project is an analysis of the effect that the expenditure will have on user rates and fees. 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 rate-payers and the overall financial stability of the District in the future.

In 2015-2016 Property Tax Revenues were budgeted to increase by 10% from the 2014-2015 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 November of 2015; 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 SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 10,515,026	$ 11,312,145
Investments	250,000	-
Accounts receivable	68,596	14,625
Property taxes receivable	1,267,000	1,146,250
Grants receivable	301,124	559,374
Interest receivable	11,901	9,008
Inventory	90,682	144,432
Prepaid expenses and deposits	150,814	235,979
Total current assets	12,655,143	13,421,813
Non-current Assets		
Investments	1,250,000	1,000,000
Non-current receivable	17,500	20,000
Capital assets, net	37,109,644	37,386,324
Total non-current assets	38,377,144	38,406,324
Total assets	51,032,287	51,828,137
DEFFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources relating to pensions (note 4)	197,011	-
LIABILITIES		
Current Liabilities		
Accounts payable	453,852	1,202,827
Accrued expenses	93,161	82,011
Unearned revenue	293,153	288,032
Deposits	142,429	137,519
Compensated absences	250,380	129,966
Total current liabilities	1,232,975	1,840,355
Non-current Liabilities		
Compensated absences	-	81,317
Net pension liablity	1,304,288	-
Total non-current liabilities	1,304,288	81,317
Total liabilities	2,537,263	1,921,672
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources relating to pensions (note 4)	467,878	-
NET POSITION		
Invested in capital assets	37,109,644	37,386,324
Restricted	16,468	16,468
Unrestricted	11,098,045	12,503,673
Total net position	$ 48,224,157	$ 49,906,465

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 YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Hangar rentals, net of sales discounts of $204,349 and $214,124 for 2015 and 2014	$ 1,129,015	$ 1,107,515
Airside operating revenues, net of cost of sales of $1,073,493 and $1,469,372 for 2015 and 2014	1,280,532	1,125,035
Warehouse	283,822	303,628
Other rentals	187,915	165,896
Total operating revenues	2,881,284	2,702,074
OPERATING EXPENSES		
Salaries and wages	1,467,753	1,315,239
Employee benefits	660,261	698,365
General and administrative	3,301,104	1,897,816
Repairs and maintenance	964,715	896,464
Depreciation	1,942,896	1,891,878
Total operating expenses	8,336,729	6,699,762
Operating income (loss)	(5,455,445)	(3,997,688)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	5,029,325	4,604,584
Interest income	49,009	62,273
Federal operating grant	301,124	119,370
Other nonoperating revenue	3,254	-
Gain (loss) on disposal of assets	-	(308,443)
Total nonoperating revenue (expense)	5,382,712	4,477,784
Income (loss) before capital contributions	(72,733)	480,096
Capital contributions	-	1,130,340
Change in net position	(72,733)	1,610,436
Net position, Beginning of year, as originally reported	49,906,465	48,296,029
Prior period adjustment (Note 1)	(1,609,575)	-
Net position, Beginning of year, as restated	48,296,890	48,296,029
Net position, End of year	$ 48,224,157	$ 49,906,465

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

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Cash receipts from customers	$ 2,837,344	$ 2,749,355
Other cash receipts	-	500,000
Payments to suppliers	(4,786,997)	(3,016,723)
Payments on behalf of employees	(2,201,067)	(1,971,458)
Net cash provided (used) by operating activities	(4,150,720)	(1,738,826)
Cash flows from noncapital financing activities:		
Receipt of property taxes	4,908,575	4,551,669
Receipt of operating grants	258,250	945,928
Net cash provided by noncapital financing activities	5,166,825	5,497,597
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,662,964)	(2,366,454)
Receipt of FAA and State of California grants	301,124	570,966
Net cash provided (used) by capital and related financing activities	(1,361,840)	(1,795,488)
Cash flows from investing activities:		
Interest income received	48,616	95,403
Payments for purchases of investments	(500,000)	-
Net cash provided (used) by investing activities	(451,384)	95,403
Increase (decrease) in cash and cash equivalents	(797,119)	2,058,686
Beginning cash and cash equivalents	11,312,145	9,253,459
Ending cash and cash equivalents	$ 10,515,026	$ 11,312,145
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (5,455,445)	$ (3,997,688)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,942,896	1,891,878
Decrease (increase) in:		
Accounts receivable	(53,969)	36,811
Inventory	53,750	(65,370)
Prepaid expenses and deposits	85,165	55,349
Non-current receivable	-	500,000
Deferred outflows of resources	(197,011)	
Increase (decrease) in:		
Accounts payable	(748,975)	(155,266)
Accrued expenses	11,150	(1,172)
Unearned revenue	5,121	2,572
Deposits	4,910	7,900
Compensated absences	39,097	(13,840)
Deferred inflows of resources	467,878	-
Net pension liability	(305,287)	-
Net cash provided (used) by operating activities	$ (4,150,720)	$ (1,738,826)

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.

<u>Reporting Entity</u>

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

<u>Enterprise Fund</u>

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.

<u>Inventories</u>

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

<u>Operating Revenues</u>

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.

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 invested 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.

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 years ended September 30, 2015 and 2014 were as follows:

	2015	2014
Placer County	$ 3,400,684	$ 3,043,744
Nevada County	1,628,641	1,560,840
Total	$ 5,029,325	$ 4,604,584

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.

I. CHANGE IN ACCOUNTING PRINCIPLE

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics: contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable; pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms; and pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

For defined benefit pensions, this Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

As of June 30, 2015, according to GASB 68, the District's total pension liability must be recognized. Therefore, the previous pension liability as of June 30, 2014 in the amount of $1,609,575 has been shown as a restatement of net position on the Statement of Activities as a separate line item.

In November 2013, GASB issued Statement No.71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the governments' beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015.

As of June 30, 2015, according to GASB 71, the District had subsequent contributions to the measurement date. As a result of the contributions, in the current year the District had deferred outflows of $197,011 and deferred inflows of $467,878 resulting from the implementation of GASB 71.

2. CASH AND INVESTMENTS

CASH

A summary of cash and investments held by the District at September 30, 2015 and 2014 is as follows:

	2015	2014
Cash and Cash Equivalents:		
Cash on Hand	$ 800	$ 700
Cash on Deposit at Banks	319,275	794,027
Local Agency Investment Fund	10,178,483	10,500,950
Cash - Restricted for Construction Surety	16,468	16,468
	$ 10,515,026	$ 11,312,145

Deposits - Custodial Credit Risk

The carrying amount of the District's bank accounts was $319,275 at September 30, 2015. 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 September 30, 2015 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.

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.

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 September 30, 2015 and 2014 as follows:

	2015	2014
Investments:		
Certificates of Deposits	$ 1,500,000	$ 1,000,000

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 September 30, 2015 and 2014, 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 September 30, 2015 and 2014, the District had no concentration of credit risk.

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 assets activity for the year ended September 30, 2015 and 2014, are as follows:

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Property not depreciated:				
Land and Easements	$ 14,966,105	$ -	$ -	$ 14,966,105
Construction In Progress	30,180	763,877	-	794,057
Total Property not Depreciated	14,996,285	763,877	-	15,760,162
Subject to depreciation:				
Land Improvements	21,606,005	$ 215	-	21,606,220
Buildings and Improvements	18,346,751	-	-	18,346,751
Equipment	6,162,699	902,124	-	7,064,823
Total Property Being Depreciated	46,115,455	902,339	-	47,017,794
Less accumulated depreciation:				
Land Improvements	(11,215,633)	(739,509)	-	(11,955,142)
Buildings and Improvements	(8,675,335)	(792,735)	-	(9,468,070)
Equipment	(3,834,448)	(410,652)	-	(4,245,100)
Total Property Being Depreciated	(23,725,416)	(1,942,896)	-	(25,668,312)
Total Property and Equipment Being Depreciated, net	22,390,039	(1,040,557)	-	21,349,482
Property and Equipment, net	$ 37,386,324	$ (276,680)	$ -	$ 37,109,644

	Balance September 30, 2013	Additions	Deletions	Balance September 30, 2014
Property not depreciated:				
Land and Easements	$ 14,753,927	$ 212,178	$ -	$ 14,966,105
Construction In Progress	21,543	8,700	(63)	30,180
Total Property not Depreciated	14,775,470	220,878	(63)	14,996,285
Subject to depreciation:				
Land Improvements	21,073,764	$ 1,745,728	(1,213,487)	21,606,005
Buildings and Improvements	18,346,751	-	-	18,346,751
Equipment	6,002,463	283,654	(123,418)	6,162,699
Total Property Being Depreciated	45,422,978	2,029,382	(1,336,905)	46,115,455
Less accumulated depreciation:				
Land Improvements	(11,155,143)	(965,533)	905,043	(11,215,633)
Buildings and Improvements	(8,138,915)	(536,420)	-	(8,675,335)
Equipment	(3,567,940)	(389,925)	123,417	(3,834,448)
Total Property Being Depreciated	(22,861,998)	(1,891,878)	1,028,460	(23,725,416)
Total Property and Equipment Being Depreciated, net	22,560,980	137,504	(308,445)	22,390,039
Property and Equipment, net	$ 37,336,450	$ 358,382	$ (308,508)	$ 37,386,324

4. 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.

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 September 30, 2015, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	8.003%	6.237%

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 year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan were $197,011.

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

As of September 30, 2015, the Truckee Tahoe Airport District reported net pension liabilities for its proportionate share of the net pension liability of the Plan of $1,304,288.

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, 2014, 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, 2013 rolled forward to June 30, 2014 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, 2013 and 2014 was as follows:

Proportion - June 30, 2013	0.03541%
Proportion - June 30, 2014	0.04525%
Change - Increase (Decrease)	0.00984%

For the year ended June 30, 2015, the District recognized pension expense of ($34,420). At September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 197,011	$ -
Change in employer's proportion and differences between proportionate share of contributions	-	29,576
Net differences between projected and actual earnings on plan investments	-	438,302
Total	$ 197,011	$ 467,878

The amounts 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 September 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Inflows of Resources
2016	$ 116,970
2017	116,970
2018	116,970
2019	116,970

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth Rate	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return (1)	7.50%
Mortality	Derived using CalERS' Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 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 7.50% 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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.

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.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

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% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability	$ 2,323,839	$ 1,304,288	$ 458,158

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 September 30, 2015.

5. 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 form such investments.

6. COMPENSATED ABSENCES

The District offers certain qualifying employees paid vacation, sick and holiday leave. Changes in obligations for vacation, sick and holiday leave at September 30, 2015 and 2014, are as follows:

	September 30, 2014	Net Change	September 30, 2015	Due Within One Year
Accrued Vacation	$ 95,165	$ 10,002	$ 105,167	$ 105,167
Accrued Sick Leave	109,207	19,380	128,587	128,587
Accrued Holiday Leave	6,911	9,715	16,626	16,626
Total	$ 211,283	$ 39,097	$ 250,380	$ 250,380

	September 30, 2013	Net Change	September 30, 2014	Due Within One Year
Accrued Vacation	$ 91,752	$ 3,413	$ 95,165	$ 90,727
Accrued Sick Leave	111,374	(2,167)	109,207	32,328
Accrued Holiday Leave	21,997	(15,086)	6,911	6,911
Total	$ 225,123	$ (13,840)	$ 211,283	$ 129,966

7. NET POSITION

INVESTED IN CAPITAL ASSETS

Net position invested in capital assets, net of related debt 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, net of related debt for the years ended September 30, 2015 and 2014 is summarized as follows:

	2015	2014
Invested in Capital Assets:		
Beginning of Year	$ 37,386,324	$ 37,336,450
Capital FAA Grants	-	1,130,340
District Investment in Property and Equipment	1,666,215	1,119,920
Dispositions and Transfers	-	(308,508)
Depreciation Expense	(1,942,896)	(1,891,878)
Invested in Capital Assets - End of Year	$ 37,109,643	$ 37,386,324

RESTRICTED NET POSITION

The District has restricted net position as follows for the years ended September 30, 2015 and 2014:

	2015	2014
Restricted	$ 16,468	$ 16,468

UNRESTRICTED NET POSITION

The District has designated unrestricted net position as follows for the years ended September 30, 2015 and 2014:

	2015	2014
Future Capital Projects	$ 4,978,045	$ 4,073,673
Pavement Maintenance Capital Reserve	1,000,000	-
Facility Maintencance Reserve	500,000	-
Forest Management Reserve	500,000	-
Utility Capital Reserve	50,000	-
Net Pension Liability	-	1,500,000
Operating Funds	2,820,000	2,650,000
Land Acquisition	1,000,000	2,750,000
Rolling Stock Reserve	250,000	-
Contingencies	-	1,530,000
Total	$ 11,098,045	$ 12,503,673

8. 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 for 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 is as follows:

	June 30, 2015
Total Assets	$ 107,630,328
Deferred Outflows of Resources	973,962
Total Assets & Deferred Outflows	$ 108,604,290
Total Liabilities	$ 59,619,796
Deferred Inflows of Resources	294,368
Total Net Position	48,690,126
Total Liabilities, Defferred Inflows & Net Position	$ 108,604,290
Total Revenues	$ 57,317,949
Total Expenses	60,953,173
Change in Net Position	$ (3,635,224)

As of August 1, 2012, the District is self-insured for a portion of the medical insurance coverage offered to employees. The District contracts with Anthem Blue Cross for a policy with high deductibles and high yearly out-of-pocket maximums for its employees. The deductibles and annual out-of-pocket maximum amounts the employees are responsible for are lower, with the District self-insuring for the gap between what the employees pay and where the Anthem Blue Cross policy begins coverage. An accrual of $10,000 was included in the financial statements for the years ended September 30, 2015 and 2014, to cover the District's estimated exposure. The District carries commercial insurance for all other risks of loss, excluding natural disasters.

9. 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 $796,948 and $335,836 at September 30, 2015 and 2014, respectively.

As of September 30, 2015, 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.

10. 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 September 30, 2015 and 2014, TDRPD operated the property as a golf course and is in compliance with the lease agreement.

11. DISPOSAL OF ASSETS

There was no disposal of assets for the year ended September 30, 2015.

The loss on disposal of assets for the year ended September 30, 2014 includes $308,444 related to the replacement of Apron West A4 that had not been fully depreciated at the time of disposition.

12. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended September 30, 2015 through January 29, 2016, 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 YEARS ENDED SEPTEMBER 30, 2015

	June 30, 2014 [1]
Proportion of the net pension liability	0.02096%
Proportionate share of the net pension liability	$ 1,304,288
Covered-employee payroll (2)	$ 1,285,894
Proportionate Share of the net pension liability as percentage of covered-employee payroll	101.43%
Plans fiduciary net position as a percentage of the total pension liability	83.03%
Proportionate share of aggregate employer contributions (3)	$ 172,553

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

(2) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

(3) The plan's proportionate share of aggregate contributions may not match the actual contribtions 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 YEARS ENDED SEPTEMBER 30, 2015

	Fiscal Year 2013-14 [1]
Actuarially Determined Contribution (2)	$ 185,517
Contributions in relation to the actuarially determined contributions	(185,517)
Contribution deficiencey (excess)	$ -
Covered-employee payroll (3,4)	$ 1,285,894
Contributions as a percentage of covered-employee payroll (3)	14.43%

(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 ($1,144,064) was assumed to increase by the 3.00 percent payroll growth

SUPPLEMENTARY INFORMATION

TRUCKEE TAHOE AIRPORT DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Federal Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Airport Improvement Program	20.106	3-06-0262-032	$ 123,572
Airport Improvement Program	20.106	3-06-0262-034	177,552
			$ 301,124

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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 and for the year ended September 30, 2015, and have issued our report thereon dated January 29, 2016. 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' 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.

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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.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 29, 2016