TRUCKEE TAHOE AIRPORT DISTRICT

NEVADA AND PLACER COUNTIES

CALIFORNIA

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT

For the Years Ended
September 30, 2010 and 2009

McCLINTOCK ACCOUNTANCY CORPORATION

TRUCKEE TAHOE AIRPORT DISTRICT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Truckee Tahoe Airport District (the "District") provides an overview of the District's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District saw an increase of 8% in net operating revenues in the fiscal year ended September 30, 2010 over the prior fiscal year. The net revenues from fuel sales, tiedowns and transient use fees increased 27%, and the number of gallons of fuel sold in the fiscal year increased 15% over the prior fiscal year. Hangar rental revenues, which continued to be the largest share of net operating revenues, were stable.
- The District received funding through Federal Aviation Administration (FAA) Airport Improvement Program grants in the amount of $292,469 to purchase equipment, and to design and complete airfield infrastructure projects.
- Total operating expenses decreased 13% from the prior year. A decrease in personnel costs due to staffing vacancies and restructuring and a decrease in land management costs are the primarily factors in the reduction.
- Property tax revenues declined slightly from the previous fiscal year, reflecting a decrease in the valuation of the property within the District for the property tax year that runs from July 1, 2010 through June 30, 2011. The effect of this decrease in property values will be greater in the upcoming fiscal year.
- Due to long term financial discipline, the Truckee Tahoe Airport District is in excellent financial condition. The combined total of cash and investments at the end of the year was $13,430,084, while total liabilities, current and long term, totaled $1,186,772.

OPERATIONAL HIGHLIGHTS

- The District welcomed a new General Manager in May of 2010. Kevin Smith, the former Deputy City Manager for Cottonwood Heights, Utah, has fourteen years of public administration experience and has spearheaded the District's strategic planning process since coming on-board.
- Construction began in August 2010 on the District's new administration building. The location of the building required that the existing self-serve fuel facility be moved in conjunction with the project. The 11,500 square foot administration building, which will include District offices, the airfield management desk, flight planning areas, a café, and public meeting rooms, has been designed so that a LEED® Silver level would most likely be achieved if the District chose to go through the certification process. Occupancy is anticipated in the late fall of 2011.

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 STATEMENTS OF NET ASSETS

The Statements of Net Assets detail the District's assets, liabilities and the difference between them, known as net assets, at the end of the fiscal years, September 30, 2010 and September 30, 2009. The level of net assets is one way to measure the District's financial health. Over time, increases or decreases in the District's net assets 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 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses and Changes in Net Assets present information which shows how the District's net assets changed during the fiscal year. These statements measure the success of the District's operations during the year and determine whether the District has recovered its costs through user fees and other revenue sources. The changes in net assets for the fiscal years shown in these reports agree with the differences in net assets shown at September 30, 2010 and 2009 in the above mentioned Statements of Net Assets.

THE STATEMENTS OF CASH FLOWS

The Statements of Cash Flows provide information regarding the District's cash receipts and disbursements during the fiscal years. 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 Assets, 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 FINANCIAL STATEMENTS

The Notes to 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

NET ASSETS

The District's net assets at September 30, 2010 totaled \$41,845,739 compared with \$39,160,152 at September 30, 2009. The increase represents capital project grant proceeds, property tax revenues, and interest income from investments which were not used to fund operations. A summary of the District's asset, liability and net asset balances at the end of the current and prior fiscal years appears on the following chart.

	September 30, 2010	September 30, 2009	Increase(Decrease)
Assets:			
Cash and Equivalents	$ 12,680,084	$ 10,510,206	$ 2,169,878
Other Current Assets	1,325,098	2,426,470	(1,101,372)
Total Current Assets	14,005,182	12,936,676	1,068,506
Investments	750,000	0	750,000
Noncurrent Receivable	500,000	500,000	0
Net Property, Plant and Equipment	27,777,329	26,934,709	842,620
Total Assets	$ 43,032,511	$ 40,371,385	$ 2,661,126
Liabilities:			
Current liabilities	$ 1,117,060	$ 1,140,489	$ (23,429)
Long-term liabilities	69,712	70,744	(1,032)
Total Liabilities	$ 1,186,772	$ 1,211,233	$ (24,461)
Net Assets:			
Invested in capital assets, net of related debt	$ 27,777,329	$ 26,934,709	$ 842,620
Restricted	16,468	16,468	0
Unrestricted	14,051,942	12,208,975	1,842,967
Total Net Assets	$ 41,845,739	$ 39,160,152	$ 2,685,587

The September 30, 2010 cash and cash equivalents balance increase of $2,169,878 from the balance at the end of the prior year represents the portion of the increase in the net assets of the District which was not invested in capital assets or other long-term assets, or being utilized as working capital for District operations. The District invests funds 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 certificates of deposit purchased by the District during the fiscal year appear on the investments line in the above table.

The decrease in other current assets is primarily related to a decrease in grants receivable at year end. At September 30, 2009 the District was completing a grant eligible construction project that was funded by the American Recovery and Reinvestment Act; although there were open Airport Improvement Program grants at September 30, 2010, the amount was not as significant as at the end of the prior fiscal year.

The increase in net property, plant and equipment is primarily related to the construction of the new administration building. Additional details are found in the Capital Asset section later in this narrative.

The unrestricted portion of net assets has been designated by the Board of Directors based on current capital projects, potential contingencies and policy-based priorities. Of the $14 million of unrestricted net assets, over $6.6 million dollars have been designated to pay for capital asset projects currently under construction; the largest of which is the new administration building. In addition, $3 million dollars have been designated for land acquisition.

REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following is a summary of the District's Statement of Revenues, Expenses and Changes in Net Assets for the current and prior fiscal year:

	Year Ended September 30, 2010	Year Ended September 30, 2009	Change
Net Operating Revenues	$ 2,247,697	$ 2,078,425	$ 169,272
Operating Expenses, net of Depreciation	(3,024,291)	(3,574,057)	549,766
Operating Loss Before Depreciation	(776,594)	(1,495,632)	719,038
Depreciation Expense	(1,352,785)	(1,466,269)	113,484
Net Operating Loss	(2,129,379)	(2,961,901)	832,522
Nonoperating Income:			
Property Tax Revenue	4,463,454	4,495,102	(31,648)
Gain (Loss) on Disposal of Assets	(18,405)	(72,551)	54,146
Grant Revenues – Capital/Operating	292,469	2,056,883	(1,764,414)
Interest Income	77,448	177,942	(100,494)
Total Nonoperating Income	4,814,966	6,657,376	1,778,590
Change in Net Assets	2,685,587	3,695,475	(1,009,888)
Net Assets at Beginning of Year	39,160,152	35,464,677	3,695,475
Net Assets at End of Year	$ 41,845,739	$ 39,160,152	$ 2,685,587

The District reported an increase in net assets of $2,685,587 for the year ended September 30, 2010. The increase is attributable to both an increase in net operating revenues and a decrease in operating expenses. The increase of $169,272, or 8%, in net operating revenues is primarily due to increased jet fuel sales, transient use fees and tie-down revenues. In the current fiscal year there was a 15% increase in the number of gallons of fuel sold; attributable to the improving economy and also reflective of decreased operations during runway closures caused by the Runway 28 touchdown area reconstruction in the prior year.

Hangar, warehouse and other rental revenues were relatively stable, increasing by less than 1% over the prior year.

Operating expenses, net of depreciation, decreased $549,766 or 15%, from the prior fiscal year. This line item 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. A portion of the decrease is related to staffing vacancies, as the District's Director of Operations and Maintenance served as Interim General Manager for seven months while a new General Manager was recruited. There was also a restructuring of management-level personnel, which resulted in some short-term vacancies.

Another significant decrease in expenditures relates to the Waddle Ranch fire hazard reduction program. In the prior year, the District spent $579,000 to treat nearly 300 acres of forest. In the current year, an additional 155 acres were treated for $288,000. Net of these land management costs, the operating expenses, net of depreciation, decreased 8.6%.

The net operating loss, before depreciation, for the year ended September 30, 2010, was $776,594; signifying that 17% of property tax revenues were used to fund District operations, with the balance increasing the net asset total. The Board of Directors has established parameters for use in budgeting regarding percentages of property tax revenues; one of the guidelines is that up to 20% of property tax revenues may be used to fund operations.

Property tax revenues decreased $31,648 from the prior fiscal year. This is related to a decrease in the assessed value of the properties within the District's boundaries for the property tax year which runs July 1, 2010 through June 30, 2011. As the property tax year and the District's fiscal year overlap, only property tax revenues related to the period from July through September 2010 were affected by the reduction in the assessed value. The decrease in the assessed values will have a more significant impact on the fiscal year ending September 30, 2011.

The grant revenues recognized in the current fiscal year relate to Airport Improvement Program grants (AIP 20 through AIP 23) from the FAA. The majority of the FAA grant reimbursements received during the current year were for expenditures considered capital contributions in the financial statements. The cost of the Single Audit of the September 30, 2009 financial statement, which was required by the FAA, was a reimbursable expense under the grants. As that expense was not considered a capital outlay, but was included as an operating expense, the corresponding grant revenues have been classified as operating grants.

The loss on disposal of assets is related to asset write-offs during the year. It is discussed in the Capital Asset section, which follows.

Interest income decreased for the year ended September 30, 2010 despite an increase in the investment balance due to lower interest rates.

CAPITAL ASSETS

At September 30, 2010, the District had over $27 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	
	September 30, 2010	September 30, 2009
Land	$ 12,110,017	$ 12,110,017
Land Improvements	7,420,323	6,387,634
Building and Building Improvements	4,957,295	5,372,413
Equipment	1,028,721	821,154
Master Plan and Surveys	0	5,861
Construction in Progress	2,260,973	2,237,630
	$ 27,777,329	$ 26,934,709

The net capital asset balance increased $842,620 during the 2009-2010 fiscal year. That amount includes net capital additions of $2,195,405, offset by $1,352,785 in depreciation expense for the year. The capital additions, net of dispositions, are detailed in the table on the following page. The District was the beneficiary of funding from three different AIP grants during the fiscal year and they are noted in the table as well; the amounts shown include the federal contributions to the projects. The most substantial, non-grant eligible capital project is the new District administration building, which is currently under construction with an anticipated completion in the late fall of 2011. The amounts required to complete construction in process at September 30, 2010, have been designated within unrestricted net assets to assure funding is available to complete the projects. The disposition relates to the write-off of solar taxi-way lights used in airport operations; failure of some of the lights caused them to be disposed of before reaching the end their estimated useful lives.

Summary of Additions to Capital Assets

	For the year ended September 30, 2010
New District Administration Building	$ 1,171,383
Flight Tracking System	437,047
Vehicle Access Control Gates (AIP #20)	281,964
Move/Refurbish Fuel Island	257,652
Runway 10/28 Design/Engineering	21,773
Runway 28 Touchdown Area (AIP #22)	13,216
Runway 01/19 Design/Engineering	10,724
Grant Eligible Construction in Process (AIP #21)	7,921
Loader Attachment	6,879
Ramp Lighting	5,251
Less: Dispositions of capital assets, net of accumulated depreciation	(18,405)
Total Net Additions	$ 2,195,405

ECONOMIC FACTORS AND BUDGET

The District considered many factors when setting the fiscal year 2010-2011 budget. In fiscal year 2009-2010 there was an increase in operation and in the number of gallons of fuel sold. However, the runway closures during the summer of 2009 related to the runway reconstruction make it difficult to estimate what portion of the increase is attributable to an improvement in the economy and evaluate any trends that could be used in budgeting. As a conservative measure, the budget for 2010-2011 estimates selling the same number of gallons of fuel as were sold in the fiscal year ended September 30, 2010. The price of a barrel of oil was fluctuating throughout the summer of 2010 while the budget was prepared; the budget was prepared using prices in effect in mid-August 2010. The gross margin for the District's fuel sales is based on a standard mark-up per gallon approved by the Board of Directors. This mark-up is designed to cover the costs associated with providing fueling services. A decrease in fuel prices during the upcoming year will result in a decrease in 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 change to the rental rate per square foot for the hangars for the period from September of 2010 through August of 2011. The budget for the upcoming year increases the revenues associated with the hangar electricity surcharge, as policy states that the surcharge is calculated based on actual electricity costs incurred by the District. Although hangar tenant turnover was higher than normal during the past twelve months, by the end of the fiscal year it had stabilized. The hangar wait list currently has close to 100 individuals awaiting hangars, so there is no reason to anticipate a material loss of hangar revenues. Other business leases and warehouse revenues are budgeted to change only to reflect the consumer price index rate adjustment that is contained in each tenant's current contract.

In 2004 the Board established the Airport Community Advisory Team (ACAT) which is charged with enhancing the District's ability and timeliness in finding ways to reduce existing and potential impacts of airport operations on communities surrounding the airport. The ACAT has evaluated various possible actions to reduce the airport's impact on the community. The flight tracking system that is currently being installed had its genesis in research performed by the ACAT as well as the development of a new approach to Runway 28 that decreases flights over populated areas. The 2010-2011 budget reinforces the District's commitment to focus on community outreach, communication, and efforts to make the District not only an outstanding general aviation airport, but also a good steward of its available resources. The budget includes support for the ACAT, the Fly Quiet incentive program, and various community outreach programs.

The management of the Waddle Ranch property continues to be an important priority for the Board. Approximately 1,217 acres of the 1,485 acre property are forested, and the District has treated 445 of those acres over the past two summers. The Fiscal 2011 budget funds a review and update of the forest management plan to incorporate the work already accomplished.

As an indicator of the District's commitment to maintain its capital assets, the Repair and Maintenance expense budget also includes over $300,000 for pavement maintenance and cracksealing. When funding is available, expenditures for maintenance of airfield pavement are eligible for FAA grants; however, the budget was prepared assuming that grant funding will not be available as the District's current Airport Construction Improvement Program does not list any specific maintenance project. The District is in the process of updating its Pavement Maintenance Program, which will detail the quality of all pavement on the property and suggest required action to maintain it at an appropriate level. This program is a necessary element in obtaining grant funding for pavement maintenance, and, with its completion, the District anticipates the possibility of FAA participation in pavement maintenance funding. The amount budgeted for Repairs and Maintenance, net of the pavement maintenance and land management expenses, is $314,750, which includes $80,000 for the second year of a three-year program to replace taxiway lights.

The fiscal year 2010-2011 budget includes a variety of both grant-eligible and other capital projects. The proposed grant-eligible additions total $1,595,000, and include snow removal equipment, pavement design, engineering and reconstruction, and replacement of ramp lighting. Grant-eligible projects are included in the District's budget and then netted with the anticipated grant proceeds. The Board of Directors reviews significant capital projects before allowing them to proceed, and the availability of grant funds would be considered before a commitment was 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.

An additional $6,154,850 in other capital projects is budgeted, including $5.2 million dollars associated with the construction of a new administration building. Construction is expected to take fourteen months, with occupancy anticipated in the late fall of 2011. The building necessitated the relocation of the self-serve fuel island which will be completed by the end of the December 2010. Other capital projects include $165,000 associated with the completion of the flight tracking system; funding of the project through September 30, 2010 was $753,500. Most of the projects are replacement or reconstruction in nature; however, as with the grant-eligible projects, the Board of Directors will review each significant capital expenditure proposal individually before allowing it to proceed.

In 2010-2011 Property Tax Revenues are budgeted to decrease by 7.5% from the 2009-2010 actual amounts. The amount budgeted is based on information received from Placer and Nevada Counties regarding the valuation of property within the District's boundaries. As discussed earlier, the overlapping of the property tax year with the District's fiscal year will cause the bulk of the decrease in property tax revenues to be recognized in the upcoming fiscal year. 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 assets was reviewed and revised in September of 2010. Apart from its practical purpose as an instructional policy for staff, the policy can also be viewed as a tool for communicating the Board's plans for the accumulated net assets of the District. The policy calls for a designation of net assets to fund the completion of construction in process. At September 30, 2010, the District had three major capital asset projects in progress; the new administration building, the relocation of the self-serve fuel facility, and the flight tracking system. The budgeted funds to complete those projects are $6,143,491, $316,111 and $165,000, respectively, and appropriate designations were made in the financial statements at September 30, 2010. The only change made to the policy on designations of unrestricted net assets in the current year was an increase in the amount of funds designated for acquisition of open space from $2 million to $3 million dollars. The 2010-2011 budget includes an additional $1 million dollars for land purchase or development. The availability of these funds will allow the Board to act if any land parcels in the airport's sphere of influence become available for purchase. The priority placed by the Board on the issue of open space is based on information received in a community survey conducted in the summer of 2009 which found that emergency services and preservation of open space are the two services offered by the Airport which are most highly valued by the constituents.

The Truckee Tahoe Airport District is constantly striving to be an excellent example of local agency government. Efforts are made to control costs and to ensure user fees are fair and equitable and take into consideration the capital and operating costs of providing goods and services. The District strives to meticulously maintain its assets and resources and responsibly manage tax revenues. The staff takes great pride in working productively and efficiently to satisfy the needs of the Board of Directors, the customers, and the greater community. The Board is working diligently to meet the expectations of the District's constituents and act in a fiscally responsible manner. The District is in excellent financial health and, with the continued contributions from staff, Directors, and community members, it will be able to maintain that state and be a valuable community asset long into the future.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Truckee Tahoe Airport District

We have audited the accompanying statements of net assets of Truckee Tahoe Airport District, as of September 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These general purpose financial statements are the responsibility of Truckee Tahoe Airport District management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truckee Tahoe Airport District as of September 30, 2010 and 2009, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 1 through 9 is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
November 29, 2010

TRUCKEE TAHOE AIRPORT DISTRICT

Exhibit A

STATEMENTS OF NET ASSETS
September 30, 2010 and 2009

	2010	2009
ASSETS		
Current Assets:		
Cash and cash equivalents including $16,468 restricted in 2010 and 2009 (Note 2)	$ 12,680,084	$ 10,510,206
Accounts receivable	35,088	18,817
Property taxes receivable	1,068,788	1,126,792
Grants receivable	23,641	1,081,211
Interest receivable	18,613	26,376
Inventories	75,425	87,211
Prepaid expenses and deposits	103,543	86,063
Total Current Assets	14,005,182	12,936,676
Investments (Note 2)	750,000	-0-
Joerger Family receivable	500,000	500,000
Net property, plant, and equipment (Note 3)	27,777,329	26,934,709
Total Long Term Assets	29,027,329	27,434,709
Total Assets	$ 43,032,511	$ 40,371,385
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 474,319	$ 502,212
Accrued expenses	141,502	105,237
Deferred revenue	262,118	274,434
Deposits	134,881	137,474
Compensated absences (Note 6)	104,240	121,132
Total Current Liabilities	1,117,060	1,140,489
Long-Term Liabilities:		
Compensated absences (Note 6)	69,712	70,744
Total Liabilities	1,186,772	1,211,233
NET ASSETS		
Invested in capital assets (Note 7)	27,777,329	26,934,709
Restricted (Note 8)	16,468	16,468
Unrestricted (Note 9)	14,051,942	12,208,975
Total Net Assets	41,845,739	39,160,152
Total Liabilities and Net Assets	$ 43,032,511	$ 40,371,385

The accompanying notes are an integral part of these statements.

TRUCKEE TAHOE AIRPORT DISTRICT

Exhibit B

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended September 30, 2010 and 2009

	2010	2009
Operating Revenues		
Hangar rentals, net of sales discounts of $219,568 and $218,324 in 2010 and 2009	$ 1,032,208	$ 1,025,194
Operations division, net of cost of sales of $843,476 and $704,279 in 2010 and 2009	734,130	577,765
Warehouse	298,336	299,762
Other rentals	183,023	175,704
Total Operating Revenue	2,247,697	2,078,425
Operating Expenses		
Salaries and wages	1,074,211	1,281,653
Employee benefits	547,378	568,031
General and administrative	954,991	943,524
Repairs and maintenance	447,711	780,849
Depreciation	1,352,785	1,466,269
Total Operating Expenses	4,377,076	5,040,326
Net Operating Loss	(2,129,379)	(2,961,901)
Nonoperating Revenues (Expenses)		
Property taxes (Note 5)	4,463,454	4,495,102
Interest income	77,448	177,942
California operating grant	-0-	10,000
Federal operating grants	5,976	3,646
Gain (Loss) on disposal of assets (Note 13)	(18,405)	(72,551)
Total Nonoperating Revenue	4,528,473	4,614,139
Income Before Contributions	2,399,094	1,652,238
Capital Contributions (Note 7)	286,493	2,043,237
Increase in Net Assets	2,685,587	3,695,475
Net Assets, Beginning of Year	39,160,152	35,464,677
Net Assets, End of Year	$ 41,845,739	$39,160,152

The accompanying notes are an integral part of these statements.

TRUCKEE TAHOE AIRPORT DISTRICT

Exhibit C

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities:		
Receipts from customers	$ 3,119,424	$ 2,800,712
Payments to suppliers	(2,316,114)	(2,379,646)
Payments on behalf of employees	(1,683,728)	(1,857,100)
Net Cash Used by Operating Activities	(880,418)	(1,436,034)
Cash Flows from Noncapital Financing Activities:		
Receipt of property taxes	4,521,458	4,455,315
Receipt of California operational grant	-0-	10,000
Receipt of FAA operational grant	5,976	39,772
Net Cash Provided by Noncapital Financing Activities	4,527,434	4,505,087
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of fixed assets	(2,156,412)	(2,150,365)
Receipt of FAA and State of California grants	1,344,063	962,026
Proceeds from sale of equipment	-0-	4,769
Net Cash Used by Capital and Related Financing Activities	(812,349)	(1,183,570)
Cash Flows from Investing Activities:		
Purchase of Certificates of Deposits	(750,000)	-0-
Interest	85,211	208,568
Net Cash Provided by Investing Activities	(664,789)	208,568
Net Increase in Cash and Cash Equivalents	2,169,878	2,094,051
Cash and Cash Equivalents at Beginning of Year	10,510,206	8,416,155
Cash and Cash Equivalents at End of Year	$ 12,680,084	$ 10,510,206

	2010	2009
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Net Operating Loss	$ (2,129,379)	$ (2,961,901)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	1,352,785	1,466,269
(Gain) Loss on disposal of property, plant and equipment		
Change in assets and liabilities:		
Accounts receivable	(16,271)	40,726
Inventories	11,786	(4,580)
Prepaid expenses and deposits	(17,480)	3,477
Accounts payable	(85,291)	53,536
Accrued expenses / deferred revenue	3,432	(33,561)
Net Cash Used by Operating Activities	$ (880,418)	$ (1,436,034)

The accompanying notes are an integral part of these statements.

1. Summary of Significant Accounting Policies

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 District's financial statements include the accounts of all operations. The accounting policies of the District conform to U.S. generally accepted accounting principles, as applicable to governmental type organizations. The following is a summary of such significant accounting policies:

A. 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.

B. 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 assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with the District's activities are reported.

C. In compliance with Statement of Governmental Accounting Standards No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, all Financial Accounting Standards Board statements issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent guidance from the Financial Accounting Standards Board for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to follow subsequent Financial Accounting Standards Board guidance.

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

E. 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.

F. Depreciation and amortization are computed on the straight-line method over the expected useful lives of the assets ranging from 3 to 40 years.

G. Net assets represent the District's financial and capital resources, and are calculated as the difference between assets and liabilities. Net assets are presented in three components:

Invested in capital assets, net of related debt: 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 assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

H. 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 expense are reported as nonoperating revenues and expenses.

I. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. For the purpose of the financial statements, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

K. The Certificates of Deposits 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.

L. The carrying amounts of financial instruments, including cash, accounts receivable and accounts payable approximate their fair value due to the short term maturities of these instruments.

2. Cash and Investments

A summary of cash and investments held by the District at September 30, 2010 and 2009 is as follows:

	2010	2009
Cash and Cash Equivalents:		
Cash on hand	$ 700	$ 700
Cash on deposit at banks	83,870	191,176
Local Agency Investment Fund	12,579,046	10,301,862
Cash – restricted for construction surety	16,468	16,468
	$ 12,680,084	$ 10,510,206

	2010	2009
Investments:		
Certificates of Deposits	$ 750,000	$ -0-

Deposits:

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. All District deposits in excess of insurance from the Federal Deposit Insurance Corporation are collateralized with eligible securities, in amounts equal to at least 110% of the District's carrying value of the deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Such collateral, as permitted by the State of California, is held in the bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds.

With the exception of deposit insurance provided by the Federal Deposit Insurance Corporation, none of the District's bank balances as of September 30, 2010 and

September 30, 2009, are exposed to custodial credit risk with deposits uninsured and collateralized with securities held by the pledging financial institution or its agent but not in the District's name.

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 amortized cost, which approximates fair value, at September 30, 2010 and September 30, 2009 as follows:

	Maturities	2010	2009
State of California			
Local Agency Investment Fund	0-1 year	$ 12,579,046	$ 10,301,862
Certificates of Deposit	1-2 years	750,000	-0-
		$ 13,329,046	$ 10,301,862

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District's investments in LAIF at September 30, 2010, include a portion of the pool funds invested in structured notes and asset-backed securities. At September 30, 2010, the District had $12,579,046 invested in LAIF. The total amount invested by all public agencies in LAIF on that day was $67,557,371,607. Of that amount, 90.58% was invested in non-derivative financial products, 9.42% was invested in structured notes and asset-backed securities.

Interest Rate Risk:

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's Investment Policy provides that the weighted average maturity of the pooled investment portfolio should not exceed two years. At September 30, 2010, the District's idle funds were invested with LAIF, which is available to the District on demand, or invested in bank certificates of deposit maturing in less than two years. As a result, the District was not significantly exposed to interest rate risk.

Credit Risk:

The District's investments in LAIF have not been rated by a nationally recognized statistical agency. The fair value of the District's position in LAIF is materially equivalent to the value of the pool shares. In accordance with the District's Investment Policy, the Certificates of Deposit held by the District are fully insured by the Federal Deposit Insurance Corporation.

3. Property, Plant and Equipment

A summary of the changes in property and equipment during the fiscal years ending 2010 and 2009 are as follows:

	September 30, 2009	Additions/ Depreciation	Disposals/ Transfers	September 30, 2010
Property not depreciated:				
Land	$ 12,110,017	$ -0-	$ -0-	$ 12,110,017
Construction in progress	2,237,630	2,206,931	(2,183,588)	2,260,973
Total property not depreciated	14,347,647	2,206,931	(2,183,588)	14,370,990
Property and equipment being depreciated:				
Land improvements	17,032,276	-0-	1,777,541	18,809,817
Buildings and improvements	12,144,442	-0-	-0-	12,144,442
Equipment	3,782,490	6,879	355,838	4,145,207
Master plan and surveys	209,974	-0-	-0-	209,974
Total property being depreciated	33,169,182	6,879	2,133,379	35,309,440
Less accumulated depreciation for:				
Land improvements	(10,644,642)	(744,852)	-0-	(11,389,494)
Buildings and improvements	(6,772,029)	(415,118)	-0-	(7,187,147)
Equipment	(2,961,336)	(186,954)	31,804	(3,116,486)
Master plan and surveys	(204,113)	(5,861)	-0-	(209,974)
Total accumulated depreciation	(20,582,120)	(1,352,785)	31,804	(21,903,101)
Total property and equipment being depreciated, net	12,587,062	(1,345,906)	2,165,183	13,406,339
Property and equipment, net	$ 26,934,709	$ 861,025	$ (18,405)	$ 27,777,329

	September 30, 2008	Additions/ Depreciation	Disposals/ Transfers	September 30, 2009
Property not depreciated:				
Land	$ 12,109,017	$ 1,000	$ -0-	$ 12,110,017
Construction in progress	117,745	2,208,590	(88,705)	2,237,630
Total property not depreciated	12,226,762	2,209,590	(88,705)	14,347,647
Property and equipment being depreciated:				
Land improvements	17,032,276	-0-	-0-	17,032,276
Buildings and improvements	12,123,967	-0-	20,475	12,144,442
Equipment	3,849,452	206,623	(273,585)	3,782,490
Master plan and surveys	402,040	-0-	(192,066)	209,974
Total property being depreciated	33,407,735	206,623	(445,176)	33,169,182
Less accumulated depreciation for:				
Land improvements	(9,847,012)	(797,630)	-0-	(10,644,642)
Buildings and improvements	(6,341,358)	(430,671)	-0-	(6,772,029)
Equipment	(3,023,034)	(202,797)	264,495	(2,961,336)
Master plan and surveys	(361,008)	(35,171)	192,066	(204,113)
Total accumulated depreciation	(19,572,412)	(1,466,269)	456,561	(20,582,120)
Total property and equipment being depreciated, net	13,835,323	(1,259,646)	11,385	12,587,062
Property and equipment, net	$ 26,062,085	$ 949,944	$ (77,320)	$ 26,934,709

4. Retirement Plans

Public Employees Retirement System

Plan Description: The District's defined benefit pension plan, Miscellaneous Plan of the Truckee Tahoe Airport District (the "Plan"), provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through resolution and Board of Director approval. CalPERS requires plans with less than 100 active participants to participate in risk pools. The risk pool the District participated in was the Miscellaneous 2.7% at 55 Risk Pool. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy: Active plan members in the Plan were required to contribute 8% of their annual covered salary. The required employee contributions are paid by the District. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2009/10 was 11.885% through June 30, 2010, when the rate became 11.830%. Employees pay the required employer contribution, up to a maximum of 8%. The District pays required employer contributions that exceed 8%. The contribution requirements of the Plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Costs: The District's annual pension cost of $125,012 was equal to the District's required actual contribution. The required contribution was determined as a part of the June 30, 2008 and 2007 actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% depending on age, service and type of employment, (c) payroll growth of 3.25%, and (d) inflation of 3.00% compounded annually. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. The CalPERS unfunded actuarial accrued liability is being amortized using a level percentage of payroll. The average remaining amortization of the unfunded liability at June 30, 2008 was 17 years.

Three Year Trend Information for the Plan:

Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2008	$132,892	100.00%	$ - 0 -
9/30/2009	$146,052	100.00%	$ - 0 -
9/30/2010	$125,012	100.00%	$ - 0 -

<u>Deferred Compensation Plan</u>
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.

Effective January 1, 1997, the District placed all plan assets in a custodial account for the exclusive benefit of participating employees in response to the Small Business Job Protection Act of 1996. Since the plan assets are no longer considered assets of the

District and are not subject to the claims of its creditors, they are not reported as deferred compensation assets and liabilities of the District at September 30, 2010 and 2009.

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.

5. Property Taxes

Property taxes attach as an enforceable lien on property as of the first Monday in March. Property taxes are payable in two installments and are delinquent after December 10th and April 10th. The District collects its share of property taxes through Nevada and Placer counties. Property tax revenues for the years ended September 30, 2010 and 2009 were as follows:

	2010	2009
Placer County	$ 2,844,325	$ 2,855,368
Nevada County	1,619,129	1,639,734
	$ 4,463,454	$ 4,495,102

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, 2010 and 2009, are as follows:

	Balance September 30, 2009	Additions	Reductions	Balance September 30, 2010	Due Within One Year
Accrued vacation	$ 73,697	$ 78,692	$ (85,109)	$ 67,280	$ 63,880
Accrued sick leave	100,101	30,345	(41,610)	88,836	22,524
Accrued holiday leave	18,078	45,746	(45,988)	17,836	17,836
Total	$ 191,876	$ 154,783	$ (172,707)	$ 173,952	$ 104,240

	Balance September 30, 2008	Additions	Reductions	Balance September 30, 2009	Due Within One Year
Accrued vacation	$ 83,500	$ 91,652	$ (101,455)	$ 73,697	$ 81,831
Accrued sick leave	111,260	31,694	(42,853)	100,101	21,222
Accrued holiday leave	16,956	53,671	(52,549)	18,078	18,079
Total	$ 211,716	$ 177,017	$ (196,857)	$ 191,876	$ 121,132

7. Net Assets: Invested in Capital Assets

Invested in capital assets, net of related debt is 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. Invested in capital assets, net of related debt for the years ended September 30, 2010 and 2009 is summarized as follows:

	2010	2009
Invested in Capital Assets,		
Beginning of Year	$ 26,934,709	$ 26,062,085
Capital FAA grants	286,493	2,043,237
District investment in property and equipment	1,927,317	372,976
Dispositions and Transfers	(18,405)	(77,320)
Depreciation expense	(1,352,785)	(1,466,269)
Invested in Capital Assets End of Year	$ 27,777,329	$ 26,934,709

8. Restricted Net Assets

The District has designated restricted net assets as follows for the years ended September 30, 2010 and 2009:

	2010	2009
Restricted	$ 16,468	$ 16,468

9. Unrestricted Net Assets

The District has designated unrestricted net assets as follows for the years ended September 30, 2010 and 2009:

	2010	2009
Future capital projects	$ 2,072,340	$ 7,143,138
Prior year projects	6,624,602	628,370
Operating funds	1,325,000	1,407,467
Land Acquisition	3,000,000	2,000,000
Contingencies	1,030,000	1,030,000
	$14,051,942	$ 12,208,975

10. Property Tax Securitization

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the District was $348,334, of that amount $87,083 was recorded as a receivable at September 30, 2009.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies have no obligation on the bonds and no credit exposure to the State. The District participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and as a result, no gain or loss was recorded.

11. 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 to form the Special District Risk Management Authority ("SDRMA"). The District pays premiums to the SDRMA based upon actual payroll classified into rate categories pursuant to the rules published by the California Workers' Compensation Insurance Rating Bureau. The SDRMA agrees to pay all amounts legally required by California workers compensation laws. The SDRMA is self-sustaining through member premiums and does not require additional premiums if claims exceed premiums. The District carries commercial insurance for all other risks of loss excluding natural disasters.

12. Commitments and Contingencies

The District has entered into various agreements for several capital projects. The remaining commitments on these contracts are approximately $5,858,755 at September 30, 2010.

13. Loss on Disposal of Assets

The loss on disposal of assets for the year ended September 30, 2010 includes $18,405 related to solar taxiway lights. The loss on disposal of assets for the year ended September 30, 2009 includes $48,363 for the FAA weather station and $24,188 for equipment used in airport operations.

14. 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 TDRPD operates the property for recreational purposes and in compliance with the associated conservation easement, annual rent will be waived by the District. As of June 30, 2010 and 2009, TDRPD operated the property as a golf course and is in compliance with the lease agreement.

15. Subsequent Events

Subsequent events have been evaluated through November 29, 2010, the date that the statements were available for issuance.