

TRUCKEE TAHOE AIRPORT DISTRICT

NEVADA AND PLACER COUNTIES

CALIFORNIA

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT

For the Years Ended
September 30, 2011 and 2010

TRUCKEE TAHOE AIRPORT DISTRICT

TABLE OF CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-9
INDEPENDENT AUDITORS' REPORT	10-11
Exhibit A STATEMENTS OF NET ASSETS	12
Exhibit B STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	13
Exhibit C STATEMENTS OF CASH FLOWS	14
NOTES TO FINANCIAL STATEMENTS	15-25
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	27-28
INDEPENT AUDITORS' 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	29-31
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	32-34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	35-36

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, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District saw an increase of 2% in net operating revenues in the fiscal year ended September 30, 2011 over the prior fiscal year. The net revenues from fuel sales, tie-downs and transient use fees increased 3%, and the number of gallons of fuel sold in the fiscal year increased 5% over the prior fiscal year. Hangar rental revenues, which continued to be the largest share of net operating revenues, increased by 2%.
- The District received funding through Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants in the amount of \$636,940 to purchase equipment and to design and complete airfield infrastructure projects.
- Property tax revenues declined 3.5% from the previous fiscal year, reflecting a decrease in the valuation of the property within the boundaries of the District. The property valuation has decreased for two consecutive years, although the decrease in the property tax year that runs from July 1, 2011 through June 30, 2012 was not as substantial as the decrease in the prior year.
- Operating, general and administrative expenses increased 3% over the prior fiscal year.
- Repair and maintenance expenses were approximately \$395,000 greater than in the prior fiscal year; however, that amount can be directly related to the completion of pavement maintenance projects, the creation of a pavement management program and other costs of maintaining the District infrastructure for which there were no comparable expenditures in the prior fiscal year.
- A combination of factors resulted in an increase of 13% in personnel and related expenses over the prior year. During fiscal year 2010 the District was not fully staffed, including a seven month period with a vacancy in the general manager position, resulting in an increase of 9% in salaries and wages in fiscal 2011. The District has seen increases in employee benefit insurance premiums and retirement plan contributions. As a percentage of total operating expenses (net of depreciation) personnel costs have decreased from the prior 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 \$10,547,523, while total liabilities, current and long term, totaled \$2,118,125.

OPERATIONAL HIGHLIGHTS

- A draft of the District's strategic plan was approved by the Board of Directors after receiving input from the Airport Community Advisory Team (ACAT) and the public. The Board has decided to update the airport master plan, and the work done this year on the strategic plan will be integral to that process going forward.
- 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 new fuel island opened late in the summer of 2011, and occupancy of the new offices is anticipated in mid-January of 2012.

- The District worked with the Truckee Donner Land Trust and other agencies to secure as open space a 122-acre property adjacent to the airport which had been zoned for as many as 250 housing units. The District entered a contract with new property owners to obtain a conservation easement on the property.
- The District is in the process of updating the pavement management program. The new program will go before the Board of Directors in the fall of 2011, but the pavement evaluation data was utilized in determining treatments for pavement maintenance work performed in the summer 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, 2011 and September 30, 2010. 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, 2011 and 2010 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, 2011 totaled \$44,121,032 compared with \$41,845,739 at September 30, 2010. 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.

	<u>September 30, 2011</u>	<u>September 30, 2010</u>	<u>Increase(Decrease)</u>
Assets:			
Cash and Equivalents	\$ 9,797,523	\$ 12,680,084	\$ (2,882,561)
Other Current Assets	2,426,300	1,325,098	1,101,202
Total Current Assets	<u>12,223,823</u>	<u>14,005,182</u>	<u>(1,781,359)</u>
Investments	250,000	750,000	(500,000)
Noncurrent Receivable	0	500,000	(500,000)
Net Property, Plant and Equipment	33,765,334	27,777,329	5,988,005
Total Assets	<u>\$ 46,239,157</u>	<u>\$ 43,032,511</u>	<u>\$ 3,206,646</u>
Liabilities:			
Current liabilities	\$ 2,044,797	\$ 1,117,060	\$ 927,737
Long-term liabilities	73,328	69,712	3,616
Total Liabilities	<u>\$ 2,118,125</u>	<u>\$ 1,186,772</u>	<u>\$ 931,353</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 33,765,334	\$ 27,777,329	\$ 5,988,005
Restricted	16,468	16,468	0
Unrestricted	10,339,230	14,051,942	(3,712,712)
Total Net Assets	<u>\$ 44,121,032</u>	<u>\$ 41,845,739</u>	<u>\$ 2,275,293</u>

The September 30, 2011 cash and cash equivalents balance decreased \$2,882,561 from the balance at the end of the prior year as funds that had been set aside for the construction of the administration building were expended. 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 change in the investments line item balance between years is reflective of the maturity dates of the various long-term certificates of deposit held by the District; there are \$500,000 in certificates of deposit classified as other current

assets. The increase in other current assets also reflects the reclassification of the \$500,000 receivable from the Joerger family from long-term to current, as it is due July 1, 2012.

The increase in net property, plant and equipment is primarily related to the construction of the new administration building and the acquisition of the conservation easement on the property formerly known as Martis Creek Estates. 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 \$10 million of unrestricted net assets, approximately \$2 million have been designated to pay for capital asset projects currently under construction; the largest of which is the new administration building. In addition, \$2.25 million have been designated for land acquisition. This year the Board of Directors designated \$500,000 exclusively for pavement maintenance, and that amount will be expended based on the new pavement management program. Additional information on the designation of unrestricted net assets can be found in the notes to the financial statements.

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, 2011	Year Ended September 30, 2010	Change
Net Operating Revenues	\$ 2,294,932	\$ 2,247,697	\$ 47,235
Operating Expenses, net of Depreciation	(3,655,627)	(3,024,291)	(631,336)
Operating Loss Before Depreciation	(1,360,695)	(776,594)	(584,101)
Depreciation Expense	(1,389,905)	(1,352,785)	(37,120)
Net Operating Loss	(2,750,600)	(2,129,379)	(621,221)
Nonoperating Income:			
Property Tax Revenue	4,305,487	4,463,454	(157,967)
Gain (Loss) on Disposal of Assets	2	(18,405)	18,407
Grant Revenues – Capital/Operating	656,940	292,469	364,471
Interest Income	63,464	77,448	(13,984)
Total Nonoperating Income	5,025,893	4,814,966	210,927
Change in Net Assets	2,275,293	2,685,587	(410,294)
Net Assets at Beginning of Year	41,845,739	39,160,152	2,685,587
Net Assets at End of Year	\$ 44,121,032	\$ 41,845,739	\$ 2,275,293

The District reported an increase in net assets of \$2,275,293 for the year ended September 30, 2011. Net operating revenues were consistent with the prior year, showing growth of 2%. In the current fiscal year there was a 5% increase in the number of gallons of fuel sold, which can be broken down into a 10% increase in sales of JetA and a 3% decrease in sales of 100 low lead fuel.

Hangar, warehouse and other rental revenues were relatively stable, increasing by 1.4% over the prior year.

Operating expenses, net of depreciation, increased \$631,336 or 21%, 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 increase (approximately \$208,000) is related to personnel costs; in the prior fiscal year there were vacancies in the operations and maintenance department and the general manager position. In addition to an increase in the number of employees on staff, there were increases in employee benefit insurance and retirement contributions. The District saw a substantial increase in medical insurance premiums in May of 2010. In the prior fiscal year the increased rate had only been in effect for five months, whereas in the current year the higher rate was in effect until August of 2011, when an additional, although much less substantial, increase was put in place. Another cause of the increase in operating expenditures is that in the prior fiscal year there was no pavement maintenance work performed; a project that was scheduled for September of 2010 ended up being pushed into the current fiscal year due to weather conditions. The combination of that project, the maintenance work done in the summer of 2011 and the pavement management program amounted to over \$400,000 being expended to maintain the District's pavement during the current fiscal year.

Property tax revenues decreased \$157,967 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 ran July 1, 2010 through June 30, 2011, followed by an additional decrease in property values in the following property tax year.

The grant revenues recognized in the current fiscal year relate to Airport Improvement Program grants (AIP 21 through AIP 26) from the FAA and operating grant revenues from the California Department of Transportation. The FAA grant reimbursements received during the current year were for expenditures considered capital contributions in the financial statements. The funds received from the State of California are specifically to offset expenses related to pavement maintenance and are considered operating grants.

Interest income decreased for the year ended September 30, 2011 due to a decrease in the balance of cash available to invest and lower interest rates.

CAPITAL ASSETS

At September 30, 2011, the District had over \$33.5 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.

	<u>Capital Assets – Net of Depreciation</u>	
	September 30, 2011	September 30, 2010
Land and Easements	\$ 13,924,292	\$ 12,110,017
Land Improvements	7,063,814	7,420,323
Building and Building Improvements	4,578,301	4,957,295
Equipment	1,660,311	1,028,721
Master Plan and Surveys	0	0
Construction in Progress	6,538,616	2,260,973
	<u>\$ 33,765,334</u>	<u>\$ 27,777,329</u>

The net capital asset balance increased \$5,988,005 during the 2010-2011 fiscal year. That amount includes net capital additions of \$7,377,910 offset by \$1,389,905 in depreciation

expense for the year. The capital additions are detailed in the table below. The District was the beneficiary of funding from four 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 mid-January of 2012. The amounts required to complete construction in process at September 30, 2011, have been designated within unrestricted net assets to assure funding is available to complete the projects.

Summary of Additions to Capital Assets

		<u>For the year ended September 30, 2011</u>
New District Administration Building	\$	4,226,363
Conservation Easement on Martis Creek Estates		1,814,275
La Rue Snowblower – AIP #24		481,020
Move/Refurbish Fuel Island		265,794
Reconstruction of Chandelle Way		188,494
Runway 10/28 Design/Engineering – AIP #25		129,950
Flight Tracking System		124,421
Re-roof portion of Hangar Row A		35,600
Replacement of Operations/Maintenance Vehicle		34,906
Design/Engineering of Hangar Row J/K Pavement – AIP #26		24,713
Geographic Information System		23,590
Ramp Lighting/Segmented Circle Project – AIP # 21		18,784
Emergency Crew Space		10,000
Total Additions	\$	<u>7,377,910</u>

ECONOMIC FACTORS AND BUDGET

The revenue budget for 2011-2012 starts by estimating selling the same number of gallons of fuel as were sold in the fiscal year ended September 30, 2011; that number was then adjusted downward to account for the effect the closure of runway 10/28 during the reconstruction process may have on fuel sales. In a like manner, transient use fees were adjusted to account for any potential loss of revenue related to larger aircraft being unable to land on the shorter runway 01/19. 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. Management is considering, with Board support, possible alterations to the rates and charges related to airside operations. The effects of any changes to the pricing policy will be closely analyzed over the upcoming year.

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, resulting in no significant increase in hangar revenues between fiscal 2010 and fiscal 2011. The consumer price index adjustment that went into effect in September of 2011 resulted in a 3.5% increase in hangar rates. In addition,

evaluation of the costs to provide the hangar rentals and market rates for hangar space at other facilities resulted in an additional increase to the rate of one-half cents per square foot, per month. Both these changes have been reflected in the budget for the upcoming year. Hangar tenant turnover was higher than normal during the past twelve months, and the hangar wait list has diminished. Although there are still individuals requesting hangars, the turnaround time between one tenant vacating and a new tenant occupying has increased. The vacancy factor used to estimate hangar revenues in the budget was increased from 1% to 2%. 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.

The District's new strategic plan was integrated into the budgeting process for fiscal year 2011-2012 budget. Decisions regarding the application of the District's resources were made based on the various strategic directives and their objectives. The most significant capital project, the new administration building, will cause increased expenditures in the upcoming year as the new building is outfitted and operations are transferred to the new structure. Most of those expenses were anticipated at the time the building was designed, engineered and bid; however, staff has made efforts to budget for possible additional costs of the transition.

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 ACAT increased their public outreach this past year by taking a presentation on mountain flying safety to various general aviation airports in Northern California. They were also supporters of converting an existing van into a community outreach vehicle which was outfitted with a flight simulator. The simulator can be used at community events to demonstrate the approach into the airport, as well as to entertain constituents of all ages. The 2011-2012 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.

As an indicator of the District's commitment to maintain its capital assets, the Repair and Maintenance expense budget also includes over \$500,000 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 federal grant funding will not be available for pavement maintenance expenses. 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 \$412,500, which includes \$100,000 for the structural repair of District buildings.

The fiscal year 2011-2012 budget includes a variety of both grant-eligible and other capital projects. The proposed grant-eligible additions total \$3,443,949, and include reconstruction of runway 10/28 and the pavement near hangar rows J and K, replacement of the segmented circle and ramp lighting and the update to the airport master plan. Grant-eligible projects are included in the District's budget and then netted with the anticipated grant proceeds. A grant has already been offered for the pavement work near the hangar rows, and construction is anticipated to begin in May of 2012. The FAA has already funded the design and engineering of the runway 10/28 reconstruction project, and the District anticipates receiving a grant to fund that construction in the summer of 2012. The design and engineering of the segmented circle and ramp lighting projects has also been funded by the FAA, and the District will hold those projects in a "shovel-ready" status in anticipation of possible grant funding. 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 \$2,684,000 in other capital projects is budgeted, including \$2.25 million dollars to complete construction of the new administration building. Other capital projects include the non-grant eligible portion of the pavement work near hangar rows J and K, the improvement to facilities utilized by emergency services and the purchase of a ground power unit, which would expand the District's service capabilities to transient aircraft. 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 2011-2012 Property Tax Revenues are budgeted to decrease by 6% from the 2010-2011 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 valuation of properties within the District's boundaries has decreased for the past two property tax years. 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 2011. 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, 2011, the District had two major capital asset projects in progress; the new administration building and the flight tracking system. The amount required to complete those projects was included in the designations of net assets made

in the financial statements at September 30, 2011. The changes made to the policy on designations of unrestricted net assets in the current year were to decrease the amount of funds designated for acquisition of open space from \$3 million to \$2.25 million dollars and to include a designation of \$500,000 for pavement maintenance. The 2011-2012 budget includes an additional \$750,000 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.

M^cCLINTOCK ACCOUNTANCY CORPORATION

ROBERT J. M^cCLINTOCK, CPA
MICHAEL R. GRIESMER, CPA

SHARON FERREIRA, CPA
BRENT GOUVEIA, CPA
ERIC ALLEN, CPA

305 WEST LAKE BOULEVARD
P. O. BOX 6179
TAHOE CITY, CA 96145
TELEPHONE: 530-583-6994
FAX: 530-583-5405

17400 NORTHWOODS BLVD.
BUILDING B, SUITE 105
P. O. BOX 2468
TRUCKEE, CA 96160
TELEPHONE: 530-587-9221
FAX: 530-587-4946

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, 2011 and 2010, 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, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011 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* and should be considered in assessing the results of our audit.

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.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Truckee Tahoe Airport District taken as a whole. The accompanying schedule of expenditures of federal awards on page 26 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION

Tahoe City, California

November 28, 2011

TRUCKEE TAHOE AIRPORT DISTRICT

Exhibit A

STATEMENTS OF NET ASSETS

September 30, 2011 and 2010

ASSETS	2011	2010
Current Assets:		
Cash and cash equivalents		
including \$16,468 restricted in 2011 and 2010 (Note 2)	\$ 9,797,523	\$ 12,680,084
Investments (Note 2)	500,000	-0-
Accounts receivable	563,562	35,088
Property taxes receivable	1,047,110	1,068,788
Grants receivable	43,478	23,641
Interest receivable	11,626	18,613
Inventories	109,176	75,425
Prepaid expenses and deposits	151,348	103,543
Total Current Assets	12,223,823	14,005,182
Investments (Note 2)	250,000	750,000
Joerger Family receivable	-0-	500,000
Net property, plant, and equipment (Note 3)	33,765,334	27,777,329
Total Long Term Assets	34,015,334	29,027,329
Total Assets	\$ 46,239,157	\$ 43,032,511
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 1,309,779	\$ 474,319
Accrued expenses	233,028	141,502
Deferred revenue	258,658	262,118
Deposits	132,675	134,881
Compensated absences (Note 6)	110,657	104,240
Total Current Liabilities	2,044,797	1,117,060
Long-Term Liabilities:		
Compensated absences (Note 6)	73,328	69,712
Total Liabilities	2,118,125	1,186,772
NET ASSETS		
Invested in capital assets (Note 7)	33,765,334	27,777,329
Restricted (Note 8)	16,468	16,468
Unrestricted (Note 9)	10,339,230	14,051,942
Total Net Assets	44,121,032	41,845,739
Total Liabilities and Net Assets	\$ 46,239,157	\$ 43,032,511

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Hangar rentals, net of sales discounts of \$219,668 and \$219,568 in 2011 and 2010	\$ 1,059,908	\$ 1,032,208
Operations division, net of cost of sales of \$1,098,674 and \$843,476 in 2011 and 2010	759,718	734,130
Warehouse	299,906	298,336
Other rentals	<u>175,400</u>	<u>183,023</u>
Total Operating Revenue	<u>2,294,932</u>	<u>2,247,697</u>
Operating Expenses		
Salaries and wages	1,170,389	1,074,211
Employee benefits	659,341	547,378
General and administrative	983,805	954,991
Repairs and maintenance	842,092	447,711
Depreciation	<u>1,389,905</u>	<u>1,352,785</u>
Total Operating Expenses	<u>5,045,532</u>	<u>4,377,076</u>
Net Operating Loss	<u>(2,750,600)</u>	<u>(2,129,379)</u>
Nonoperating Revenues (Expenses)		
Property taxes (Note 5)	4,305,487	4,463,454
Interest income	63,464	77,448
California operating grant	20,000	-0-
Federal operating grants	-0-	5,976
Gain (loss) on disposal of assets	<u>2</u>	<u>(18,405)</u>
Total Nonoperating Revenue	<u>4,388,953</u>	<u>4,528,473</u>
Income Before Contributions	1,638,353	2,399,094
Capital Contributions (Note 7)	<u>636,940</u>	<u>286,493</u>
Increase in Net Assets	2,275,293	2,685,587
Net Assets, Beginning of Year	<u>41,845,739</u>	<u>39,160,152</u>
Net Assets, End of Year	<u>\$ 44,121,032</u>	<u>\$ 41,845,739</u>

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 3,286,631	\$ 3,119,424
Payments to suppliers	(2,801,665)	(2,316,114)
Payments on behalf of employees	(1,844,656)	(1,683,728)
Net Cash Used by Operating Activities	<u>(1,359,690)</u>	<u>(880,418)</u>
Cash Flows from Noncapital Financing Activities:		
Receipt of property taxes	4,327,165	4,521,458
Receipt of California operational grant	20,000	-0-
Receipt of FAA operational grant	-0-	5,976
Net Cash Provided by Noncapital Financing Activities	<u>4,347,165</u>	<u>4,527,434</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of fixed assets	(6,557,590)	(2,156,412)
Receipt of FAA and State of California grants	617,103	1,344,063
Net Cash Used by Capital and Related Financing Activities	<u>(5,940,487)</u>	<u>(812,349)</u>
Cash Flows from Investing Activities:		
Purchase of Certificates of Deposits	-0-	(750,000)
Interest	70,451	85,211
Net Cash Provided (Used) by Investing Activities	<u>70,451</u>	<u>(664,789)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,882,561)	2,169,878
Cash and Cash Equivalents, Beginning of Year	12,680,084	10,510,206
Cash and Cash Equivalents, End of Year	<u>\$ 9,797,523</u>	<u>\$ 12,680,084</u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Net Operating Loss	\$ (2,750,600)	\$ (2,129,379)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	1,389,905	1,352,785
Change in assets and liabilities:		
Accounts receivable	(28,474)	(16,271)
Inventories	(33,751)	11,786
Prepaid expenses and deposits	(47,805)	(17,480)
Accounts payable	15,142	(85,291)
Accrued expenses / deferred revenue	95,893	3,432
Net Cash Used by Operating Activities	<u>\$ (1,359,690)</u>	<u>\$ (880,418)</u>

The accompanying notes are an integral part of these statements.

TRUCKEE TAHOE AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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.

TRUCKEE TAHOE AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

- 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 non-operating 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.

TRUCKEE TAHOE AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

- 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, 2011 and 2010 is as follows:

	2011	2010
Cash and Cash Equivalents:		
Cash on hand	\$ 700	\$ 700
Cash on deposit at banks	257,503	83,870
Local Agency Investment Fund	9,522,852	12,579,046
Cash – restricted for construction surety	16,468	16,468
	<u>\$ 9,797,523</u>	<u>\$ 12,680,084</u>
	2011	2010
Investments:		
Certificates of Deposits	\$ 750,000	\$ 750,000

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.

TRUCKEE TAHOE AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

With the exception of deposit insurance provided by the Federal Deposit Insurance Corporation, none of the District's bank balances as of September 30, 2011 and September 30, 2010, 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, 2011 and September 30, 2010 as follows:

	Maturities	2011	2010
State of California			
Local Agency Investment Fund	0-1 year	\$ 9,522,852	\$12,579,046
Certificates of Deposit	1-2 years	750,000	750,000
		<u>\$10,272,852</u>	<u>\$13,329,046</u>

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, 2011, include a portion of the pool funds invested in structured notes and asset-backed securities. At September 30, 2011, the District had \$9,522,852 invested in LAIF. The total amount invested by all public agencies in LAIF on that day was \$66,192,684,097. Of that amount, 95.57% was invested in non-derivative financial products, 4.43% 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, 2011, the District's idle funds were invested with LAIF, which is available to the District on

TRUCKEE TAHOE AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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 2011 and 2010 are as follows:

	September 30, 2010	Additions/ Depreciation	Disposals/ Transfers	September 30, 2011
Property not depreciated:				
Land and easements	\$ 12,110,017	\$ 1,814,275	\$ -0-	\$ 13,924,292
Construction in progress	2,260,973	4,823,615	(545,972)	6,538,616
Total property not depreciated	14,370,990	6,637,890	(545,972)	20,462,908
Property and equipment being depreciated:				
Land improvements	18,809,817	188,494	210,280	19,208,591
Buildings and improvements	12,144,442	35,600	-0-	12,180,042
Equipment	4,145,207	515,926	208,741	4,869,874
Master plan and surveys	209,974	-0-	-0-	209,974
Total property being depreciated	35,309,440	740,020	419,021	36,468,481
Less accumulated depreciation for:				
Land improvements	(11,389,494)	(755,283)	-0-	(12,144,777)
Buildings and improvements	(7,187,147)	(414,594)	-0-	(7,601,741)
Equipment	(3,116,486)	(220,028)	126,951	(3,209,563)
Master plan and surveys	(209,974)	-0-	-0-	(209,974)
Total accumulated depreciation	(21,903,101)	(1,389,905)	126,951	(23,166,055)
Total property and equipment being depreciated, net	13,406,339	(649,885)	545,972	13,302,426
Property and equipment, net	\$ 27,777,329	\$ 5,988,005	\$ -0-	\$ 33,765,334

TRUCKEE TAHOE AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

	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

Retirement Plans

4. 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

TRUCKEE TAHOE AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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 2010/11 was 11.830% through June 30, 2011, when the rate became 14.762%. 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 \$146,693 was equal to the District's required actual contribution. The required contribution was determined as a part of the June 30, 2009 and 2008 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 3.55% 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, 2009 was 19 years.

Three Year Trend Information for the Plan:

Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2009	\$146,052	100.00%	\$-0-
9/30/2010	\$125,012	100.00%	\$-0-
9/30/2011	\$146,693	100.00%	\$-0-

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

TRUCKEE TAHOE AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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, 2011 and 2010.

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, 2011 and 2010 were as follows:

	2011	2010
Placer County	\$ 2,767,978	\$ 2,844,325
Nevada County	1,537,509	1,619,129
	<u>\$ 4,305,487</u>	<u>\$ 4,463,454</u>

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, 2011 and 2010, are as follows:

	September 30, 2010	Additions	Reductions	September 30, 2011	Due within one year
Accrued vacation	\$ 67,280	\$ 82,462	\$ (75,187)	\$ 71,155	\$ 71,155
Accrued sick leave	88,836	41,054	(31,696)	98,194	24,866
Accrued holiday leave	17,836	46,084	(49,284)	14,636	14,636
Total	<u>\$ 173,952</u>	<u>\$ 169,600</u>	<u>\$ (156,167)</u>	<u>\$ 183,985</u>	<u>\$ 110,657</u>

TRUCKEE TAHOE AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

	September 30, 2009	Additions	Reductions	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

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. Non-spendable, net of related debt for the years ended September 30, 2011 and 2010 is summarized as follows:

	2011	2010
Invested in Capital Assets:		
Beginning of year	\$ 27,777,329	\$ 26,934,709
Capital FAA grants	636,940	286,493
District investment in property and equipment	6,740,970	1,927,317
Dispositions and transfers	-0-	(18,405)
Depreciation expense	(1,389,905)	(1,352,785)
Invested in Capital Assets End of Year	\$ 33,765,334	\$ 27,777,329

8. Restricted Net Assets

The District has designated restricted net assets as follows for the years ended September 30, 2011 and 2010:

	2011	2010
Restricted	\$ 16,468	\$ 16,468

TRUCKEE TAHOE AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

9. Unrestricted Net Assets

The District has designated unrestricted net assets as follows for the years ended September 30, 2011 and 2010:

	2011	2010
Future capital projects	\$2,551,278	\$2,072,340
Prior year projects	1,957,952	6,624,602
Operating funds	2,050,000	1,325,000
Land acquisition	2,250,000	3,000,000
Contingencies	1,530,000	1,030,000
	<u>\$ 10,339,230</u>	<u>\$ 14,051,942</u>

10. 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.

11. Commitments and Contingencies

The District has entered into contractual agreements for the various capital projects: a flight tracking system, pavement maintenance, and the new building construction. The remaining commitments on these contracts are approximately \$1,368,565 at September 30, 2011.

12. 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")

TRUCKEE TAHOE AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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, 2011 and 2010, TDRPD operated the property as a golf course and is in compliance with the lease agreement.

13. Subsequent Events

Subsequent events have been evaluated by management through November 28, 2011, the date that the statements were available for issuance.

TRUCKEE TAHOE AIRPORT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2011

Federal Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Transportation – Airport Improvement Program	20.106	3-06-0262-21	\$ 13,007
		3-06-0262-24	481,020
		3-06-0262-25	151,723
		3-06-0262-26	24,713
			\$ 670,463

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Significant Accounting Policies

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*.

2. Grant Expenditures and Grant Revenue Reconciliation

AIP 21 grant expenditures during the fiscal year ended September 30, 2011	\$ 12,356
AIP 24 grant expenditures during the fiscal year ended September 30, 2011	481,020
AIP 25 grant expenditures during the fiscal year ended September 30, 2011	151,723
AIP 26 grant expenditures during the fiscal year ended September 30, 2011	24,713
	670,463
Federal share	95%
Grant revenues related to AIP 21,24,25,26 grant expenditures	\$ 636,940

TRUCKEE TAHOE AIRPORT DISTRICT

Nevada and Placer Counties, California

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 30, 2011

TRUCKEE TAHOE AIRPORT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2011

U.S. Department of Transportation
Airport Improvement Program
Federal CFDA number: 20.106

There were no audit findings in the year ended September 30, 2009 or 2011, and no single audit was required to be performed for the year ended September 30, 2010.

TRUCKEE TAHOE AIRPORT DISTRICT

Nevada and Placer Counties, California

INDEPENDENT AUDITORS' 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

September 30, 2011

M^cCLINTOCK ACCOUNTANCY CORPORATION

ROBERT J. M^cCLINTOCK, CPA
MICHAEL R. GRIESMER, CPA

SHARON FERREIRA, CPA
BRENT GOUVEIA, CPA
ERIC ALLEN, CPA

305 WEST LAKE BOULEVARD
P. O. BOX 6179
TAHOE CITY, CA 96145
TELEPHONE: 530-583-6994
FAX: 530-583-5405

17400 NORTHWOODS BLVD.
BUILDING B, SUITE 105
P. O. BOX 2468
TRUCKEE, CA 96160
TELEPHONE: 530-587-9221
FAX: 530-587-4946

To the Board of Directors of
Truckee Tahoe Airport District

We have audited the financial statements of Truckee Tahoe Airport District as of and for the year ended September 30, 2011, which collectively comprise Truckee Tahoe Airport District's basic financial statements and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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, we considered Truckee Tahoe Airport District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Truckee Tahoe Airport District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Truckee Tahoe Airport District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Truckee Tahoe Airport District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Truckee Tahoe Airport District's financial statements that is more than inconsequential will not be prevented or detected by Truckee Tahoe Airport District's internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Truckee Tahoe Airport District's internal controls.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Truckee Tahoe Airport 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*.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION

Tahoe City, California

November 28, 2011

TRUCKEE TAHOE AIRPORT DISTRICT

Nevada and Placer Counties, California

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

September 30, 2011

M^cCLINTOCK ACCOUNTANCY CORPORATION

ROBERT J. M^cCLINTOCK, CPA
MICHAEL R. GRIESMER, CPA

SHARON FERREIRA, CPA
BRENT GOUVEIA, CPA
ERIC ALLEN, CPA

305 WEST LAKE BOULEVARD
P. O. BOX 6179
TAHOE CITY, CA 96145
TELEPHONE: 530-583-6994
FAX: 530-583-5405

17400 NORTHWOODS BLVD.
BUILDING B, SUITE 105
P. O. BOX 2468
TRUCKEE, CA 96160
TELEPHONE: 530-587-9221
FAX: 530-587-4946

To the Board of Directors of
Truckee Tahoe Airport District

Compliance

We have audited the compliance of Truckee Tahoe Airport District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2011. Truckee Tahoe Airport District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Truckee Tahoe Airport District's management. Our responsibility is to express an opinion on Truckee Tahoe Airport District's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Truckee Tahoe Airport District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Truckee Tahoe Airport District's compliance with those requirements.

In our opinion, Truckee Tahoe Airport District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

The management of Truckee Tahoe Airport District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Truckee Tahoe Airport District's internal control over compliance with

requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Truckee Tahoe Airport District's internal control over compliance.

A control deficiency is an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Truckee Tahoe Airport District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Truckee Tahoe Airport District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McClintock Accountancy Corporation
McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
November 28, 2011

TRUCKEE TAHOE AIRPORT DISTRICT

Nevada and Placer Counties, California

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2011

TRUCKEE TAHOE AIRPORT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2011

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Truckee Tahoe Airport District.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Truckee Tahoe Airport District, which would be required to be reported in accordance with *Governmental Auditing Standards*, were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The independent auditors' report on compliance for the federal awards programs for Truckee Tahoe Airport District expresses an unqualified opinion.
6. No audit findings material to the financial statements of Truckee Tahoe Airport District, which would be required to be reported in accordance with *Governmental Auditing Standards*, were disclosed during the audit.
7. The program tested as major programs included the following: U.S. Department of Transportation, Airport Improvement Program (CFDA 20.106).
8. The threshold for distinguishing Types A and B programs was \$500,000.
9. Since the major program tested met the percentage of coverage rule, it was not necessary to determine if Truckee Tahoe Airport District qualifies as a low-risk auditee.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None