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

FOR THE FISCAL YEARS ENDED

SEPTEMBER 30, 2013 AND 2012

TRUCKEE TAHOE AIRPORT DISTRICT

SEPTEMBER 30, 2013

BOARD OF DIRECTORS

Mary Hetherington - President

John B. Jones, Jr. – Vice President

J. Thomas Van Berkem - Director

James W. Morrison - Director

Lisa Wallace - Director

* * * *

General Manager
Kevin Smith

TRUCKEE TAHOE AIRPORT DISTRICT

SEPTEMBER 30, 2013

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Truckee Tahoe Airport District
Truckee, California

Report on the Financial Statements

We have audited the accompanying Statement of Net Position of Truckee Tahoe Airport District as of September 30, 2013 and 2012 and the related Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and notes to the financial statements for the years then ended, which collectively comprise the District's basic financial statements.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Truckee Tahoe Airport District as of September 30, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financials statements of Truckee Tahoe Airport District. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013 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.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
November 21, 2013

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Truckee Tahoe Airport District (the "District" or the "Airport") provides an overview of the District's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In the fiscal year ended September 30, 2013, the District's operating revenues increased $300,000 (14%) over the prior fiscal year. This is primarily due to increased fuel sales and transient use fee revenues in the summer of 2013. The Airport's main runway was closed from July 9, 2012 through September 28, 2012 for a reconstruction project, and the closure depressed certain airside operating revenues in the prior fiscal year.
- The District received funding through Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants in the amount of $1.4 million to complete pavement rehabilitation and airfield infrastructure projects.
- After two years of declining property tax revenues in 2010 and 2011, followed by stable revenues in the 2012 fiscal year, the District saw property tax revenues increase 5% in fiscal year ended September 30, 2013.
- The District's personnel costs were down 2% ($35,000) from the prior fiscal year. While actual salaries and wages increased by $63,000, the District experienced $98,000 in savings related to employee benefit insurance, primarily due to changing medical coverage policies and self-insuring for a portion of the exposure.
- Operating, general and administrative expenses were $491,000 greater than the prior fiscal year. The increase is primarily due to $289,000 in consulting fees and related outreach efforts for the update to the Airport's master plan. The fiscal year ended September 30, 2013 was the first to have a full year's worth of operating expenses for the District's state-of-the art flight tracking system. This resulted in an increase of $108,000 in operations monitoring expenses over the prior fiscal year.
- Repair and maintenance expenses were approximately $812,000 greater than in the prior fiscal year. In fiscal year 2013 the District completed $1.6 million in pavement rehabilitation projects, more than double the $733,000 that was expended in the prior year. The pavement projects received funding from the FAA in the amount of $933,630 in the current year.
- Due to long term fiscal discipline, the Truckee Tahoe Airport District is in excellent financial condition. The District's net position increased $884,000 from the end of the prior fiscal year. The District has designated the unrestricted net position for future capital projects, contingencies and an anticipated change to accounting standards.

OPERATIONAL HIGHLIGHTS

- With the completion of the apron rehabilitation project in the summer of 2013, the District has applied some type of treatment to almost all of the Airport's pavements in the last five years. The pavement management program, completed in 2011, will be updated in the fall of 2013 to reflect all work performed and to highlight areas that are in need of additional attention.
- During the fiscal year ended September 30, 2013, the District completed both a facilities maintenance plan, that covers the District's structures, and a forest management plan. The District plans to use these planning tools going forward in the same way the pavement management program has been utilized. By investing in these programs, the District gains insights that improve its fiscal budgeting and asset management.

- The District is in the process of updating the airport master plan. District staff, board members and the community have worked with the outside consultants to ensure the update this vital planning document is completed with the most up-to-date information and forecasts, and that it reflects the vision of the Airport's future held by stakeholders.

USE OF FINANCIAL STATEMENTS TO ANALYZE THE DISTRICT'S CONDITION

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

THE STATEMENT OF NET POSITION

The Statement of Net Position details the District's assets, liabilities and the difference between them, known as net position, at the end of the fiscal years, September 30, 2013 and September 30, 2012. The level of net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. Other factors, such as changes in the District's property tax revenues and the condition of the airport's facilities, must also be considered to assess the overall health of the District.

THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents information which shows how the District's net position changed during the fiscal year. The statement measures the success of the District's operations during the year and determines whether the District has recovered its costs through user fees and other revenue sources. The changes in net position for the fiscal years shown in this report agree with the differences in net position shown at September 30, 2013 and 2012 in the above mentioned Statement of Net Position.

THE STATEMENT OF CASH FLOWS

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

THE NOTES TO THE FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS

NET POSITION

The District's net position at September 30, 2013 totaled $48,296,029 compared with $47,411,737 at September 30, 2012. 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 position balances at the end of the current and prior two fiscal years appears on the following chart.

	September 30, 2013	September 30, 2012	September 30, 2011
Assets:			
Cash and Equivalents	$ 9,253,459	$ 7,375,325	$ 9,797,523
Other Current Assets	3,015,098	2,831,402	2,426,300
Total Current Assets	12,268,557	10,206,727	12,223,823
Investments	250,000	750,000	250,000
Noncurrent Receivable	522,500	25,000	0
Net Property, Plant and Equipment	37,336,450	38,687,710	33,765,334
Total Assets	$ 50,377,507	$ 49,669,437	$ 46,239,157
Liabilities:			
Current liabilities	$ 1,998,795	$ 2,160,761	$ 2,044,797
Long-term liabilities	82,683	96,939	73,328
Total Liabilities	$ 2,081,478	$ 2,257,700	$ 2,118,125
Net Position:			
Invested in capital assets, net of related debt	$ 37,336,450	$ 38,687,710	$ 33,765,334
Restricted	16,468	16,468	16,468
Unrestricted	10,943,111	8,707,559	10,339,230
Total Net Position	$ 48,296,029	$ 47,411,737	$ 44,121,032

The September 30, 2013 cash and cash equivalents balance increased $1,878,134 from the balance at the end of the prior year. The District invests surplus cash in the Local Agency Investment Fund; a governmental investment pool managed and directed by the California State Treasurer, and also holds some certificates of deposit. The increase in Other Current Assets is a result of the District having a substantial increase in grant funds receivable at the end of the current fiscal year related to the AIP grant-funded pavement rehabilitations project which took place over the summer of 2013. The Investment line shows the Certificates of Deposit held by the District with a maturity beyond one year. The increase in the Noncurrent Receivable category represents the reclassification of the $500,000 due from the Joerger Family, which is the subject of a settlement agreement.

The decrease in net property, plant and equipment is primarily related to depreciation of District's assets. There were not many capital assets acquired in the current fiscal year, the pavement rehabilitation work that was performed was considered an operating expense and not capitalized. Additional details on the capital asset additions and dispositions can be found in the Capital Asset section later in this narrative.

The unrestricted portion of net position has been designated by the Board of Directors based on current capital projects, potential contingencies and policy-based priorities. Of the $10.9 million of unrestricted net position, approximately $2.7 million have been designated to pay for future capital asset projects. In addition, $2.75 million have been designated for land acquisition and $500,000 exclusively for pavement maintenance. The Government Accounting Standards Board issued Statement No. 68 in June of 2012; the statement deals with accounting and financial reporting issues related to pensions. When the District adopts the standard, the net pension liability will have to be shown on the District's Statement of Net Position. Although the District is not currently adopting the new standard, the Board of Directors has opted to designate an approximated amount ($1.5 million) of unrestricted net position to prepare users of the financial statements for the effect the adoption of the accounting standard will have on the District's financial position. Additional information on the designation of unrestricted net position can be found in the notes to the financial statements.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

The District reported an increase in net position of $884,292 for the year ended September 30, 2013. Net operating revenues were slightly greater than the prior year, due to the impact on Airport activity the runway closure caused in the prior fiscal year. In the current fiscal year there was a 39% increase in the number of gallons of fuel sold and a 35% increase in the number of transient use fees charged. Hangar, warehouse and revenues other business leasing revenues increased slightly (less than 3%) as a result of consumer price index adjustments.

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

	Year Ended September 30, 2013	Year Ended September 30, 2012	Year Ended September 30, 2011
Net Operating Revenues	$ 2,571,464	$ 2,261,985	$ 2,294,932
Operating Expenses, Net of Depreciation	(5,780,888)	(4,513,028)	(3,655,627)
Operating Loss Before Depreciation	(3,209,424)	(2,251,043)	(1,360,695)
Depreciation Expense	(1,853,450)	(1,595,551)	(1,389,905)
Net Operating Loss	$ (5,062,874)	$ (3,846,594)	$ (2,750,600)
Nonoperating Income:			
Property Tax Revenue	$ 4,530,360	$ 4,312,620	$ 4,305,487
Gain (Loss) on Disposal of Assets	(33,598)	(234,912)	2
Grant Revenues – Capital/Operating	1,395,997	2,978,582	656,940
Interest and Other Nonoperating Income	54,407	81,009	63,464
Total Nonoperating Income	$ 5,947,166	$ 7,137,299	$ 5,025,893
Change in Net Position	$ 884,292	$ 3,290,705	$ 2,275,293
Net Position at Beginning of Year	47,411,737	44,121,032	41,845,739
Net Position at End of Year	$ 48,296,029	$ 47,411,737	$ 44,121,032

Operating expenses, net of depreciation, increased $1,267,860 or 28%, from the prior fiscal year. This category includes all costs related to payroll and employee benefits, general and administrative expenses, as well as the cost to maintain the District's high value infrastructure. The largest single line item increase ($906,000) represents pavement rehabilitation expenses as the District worked with its pavement management program to keep the Airport's pavements in top condition. In the prior fiscal year the District incurred $733,000 in pavement maintenance expenses. This year, with the aid of an FAA AIP grant, the District expended $1,639,000 resurfacing pavements, repairing cracks and restriping. The related grant revenues of $934,000 are included in the grant revenue line on the previous page. Additionally, there were $289,000 in fees and related outreach expenses for the Airport's master plan.

Property tax revenues were up slightly, increasing $218,000, or 5%, from the prior fiscal year.

The grant revenues recognized in the current fiscal year relate to Airport Improvement Program grants (AIP #26, #27, #28 and #29) from the FAA and operating grant revenues from the Nevada County Transportation Commission and the California Department of Transportation. The FAA grant reimbursements were of two types: capital grant revenues, related to capital asset acquisition such as the ramp lighting project; and operating grant revenues, related to the pavement rehabilitation projects discussed above. Of the total grant revenues shown above, $434,000 represent capital grant revenues from the FAA and $937,000 represent FAA operating grant revenues for pavement maintenance and other eligible expenses.

CAPITAL ASSETS

At September 30, 2013, the District had over $37.3 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, 2013		September 30, 2012		September 30, 2011
Land and Easements	$	14,753,927	$	14,753,927	$	13,924,292
Building and Building Improvements		10,207,836		10,782,545		4,578,301
Land Improvements		9,918,621		7,643,838		7,063,814
Equipment		2,434,523		2,672,440		1,660,311
Construction in Progress		21,543		2,834,960		6,538,616
	$	37,336,450	$	38,687,710	$	33,765,334

The net capital asset balance decreased $1,351,260 during the 2012-2013 fiscal year. That amount includes net capital additions of $502,190 offset by $1,853,450 in depreciation expense for the year. The capital additions are detailed in the table on the following page. The District was the beneficiary of funding from an AIP capital grant during the fiscal year, and the related projects are indicated in the table; the amounts shown include the federal contributions to the projects.

Summary of Additions to Capital Assets

		For the year ended September 30, 2013
Ramp Lighting Upgrade – AIP # 28	$	344,922
Segmented Circle Project – AIP # 28		107,027
Maintenance / Airfield Operations Equipment		78,268
Tahoe City Helipad Design and Miscellaneous		10,571
Less: Dispositions of Capital Assets, Net of Accumulated Depreciation		(38,598)
Total Additions	$	502,190

ECONOMIC FACTORS AND BUDGET

Based on the strategic plan adopted by the Board of Directors, the fiscal year 2014 budget is an example of local agency government using its funding in a fiscally responsible way to satisfy the needs of its customers, constituents, employees and the greater community.

The District's current master plan was completed in 1998; a great deal has changed in the general aviation industry and community since that date. The purpose of an airport master plan is to create a road map for future planning of the airport, with consideration given to such elements as activity forecasts, airfield design, building area development, environmental and financial considerations. The District has focused a great deal of time and effort on this process throughout the course of the past twelve months. The new master plan process, kicked off in December of 2012, is divided into two distinct phases:

- *Phase 1: Comprehensive Community Outreach (February-June 2013)* This phase focused on soliciting input from all communities in the District on the future of the Airport. A total of eight open houses and one wrap-up meeting took place between April and June. A community-based Master Plan Outreach Committee helped guide this phase of the process.

- *Phase 2: Technical Investigations (June 2013-January 2014)* Information obtained during the outreach and information-gathering phase is being used to identify future needs, alternatives for accommodating those needs, and plan documentation. Final plan documents will include a "Decision Document" depicting the phased development and rationale. The District will subsequently prepare an environmental document in accordance with the California Environmental Quality Act (CEQA) that will ultimately lead to the master plan's adoption.

The master plan process will span two fiscal years, but the fiscal effects of the master plan will be seen far into the future. Potential development alternatives being considered at this time include lengthening and widening runway 02-20, a multi-million dollar project that could reduce the Airport's impact on the community. The fiscal year 2013-2014 budget includes funding to complete the master plan and begin analysis on some alternative projects suggested during the process.

More than half of the airside operating revenues budgeted for the upcoming fiscal year are related to the sale of JetA fuel. The District saw a dramatic increase in the number of gallons of JetA fuel sold in fiscal 2013 – 64% more than in the prior year. While a portion of that increase is due to the runway closure in the prior fiscal year, the District feels that JetA fuel sales are trending upward and has included that as a factor in the budgeting process. The gross margin for the District's fuel sales is based on a standard mark-up per gallon. This mark-up is designed to cover the costs associated with providing fueling services. 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 a slight increase to the rental rate per square foot for the box hangars beginning in September of 2013. The t-hangar tenant turnover during the past twelve months was higher than had been experienced previously, while demand for box hangars remained strong. With the waitlist for t-hangars being closed out, and demand significantly decreased, the Board decided to suspend the consumer price index clause for the t-hangar tenants due to the soft market. The vacancy factor used to estimate hangar revenues in the budget was increased from 4% to 12% to account for the higher turnover and vacancy rates. Other business leases and warehouse revenues are budgeted to increase to reflect the consumer price index rate adjustment that is contained in each tenant's current contract. One of the commercial aviation real estate building on the Airport has been vacant since September of 2013. The District made the decision not to seek a new tenant, but to await the outcome of the master plan process before determining future use.

The importance of public outreach is not limited to the District's master planning process. The 2013-2014 budget reinforces the District's commitment to focus on community outreach and communication. The Board of Directors budgeted funds to be used as sponsorship for another Air Fair and Family Festival. The 2012 and 2013 events were very successful, not just in terms of community approval, but also as a fundraiser for the non-profit organizations involved. The fiscal 2014 budget contains funding to take the event to a higher level in the summer of 2014.

While the Air Fair and Family Festival was considered a success for its role in bringing many people to the Airport who otherwise would not be familiar with the District and its place in the community, other District endeavors have worked to increase public outreach as well. The Board of Director meetings have begun to be broadcast over the local cable channel and the internet. They are archived on the District's website for viewing at any time. The District has contracted with an outside consultant and is working on a redesign of the website, which will be completed in the next fiscal year.

The funding of the above mentioned programs, along with continuing efforts included in the fiscal 2013-2014 budget such as the Fly Quiet incentive program, annoyance monitoring and ACAT working to have a lower-impact approach pattern approved by the FAA, are all examples of the District striving not only to be an outstanding general aviation airport, but also a good neighbor.

Many strategic plan objectives relate to the District's investment in facilities and infrastructure. The District takes these elements of the plan very seriously and devotes a great deal of funding, both monetary and in terms of man-hours, to seeing these objectives are met. An example of this is the recently completed facilities maintenance plan. The document was created to focus the District's resources on the most efficient and effective way to maintain the District's structures. The program calls for work on almost all of the existing structures in the upcoming year. The prescriptive maintenance will be evaluated by District Staff and the condition of the assets, as well as future needs and other factors, will be considered before proceeding with the projects. The fiscal year 2014 budget includes approximately $400,000 for projects identified by the plan. The plan includes a forecast for the next ten years, and will be a valuable tool in fiscal planning for the District going forward. The District's next step in facilities planning is the creation of a plan that reflects the utility infrastructure present on the Airport. Funding for a program that will address the location, condition and requirements of the District's utility-related assets is included in the budget for the upcoming fiscal year.

The fiscal year 2013-2014 budget also includes a variety of both grant-eligible and other capital projects. The proposed grant-eligible addition is the replacement of the District's 23-year-old plow truck. This piece of equipment was included on the Airport Capital Improvement Plan (ACIP) presented to the FAA as a required need in both 2012 and 2013; however, a grant application was not submitted. It will again be shown as a "project" on the 2014 ACIP; the District has estimated the cost at over $400,000 and hopes to receive a grant for 90% of that cost. An additional $1,470,000 in other capital projects is budgeted, including $450,000 to enhance Airport Rescue and Firefighting (ARFF) abilities. The budget proposes the purchase of a specialized, fire-fighting asset that would benefit not only the District, but also the community, in the event there was an aircraft accident/fire off of the airfield. It could also be used for regular assistance and emergency calls throughout the community. The design and permitting for a multipurpose-community hangar is included in the budget at $375,000. The recently completed community survey showed that the constituents are in favor of a structure of this type. The budget includes funding to study the feasibility of the project. If the Board chooses to move to the next phase of the project, funds are budgeted for design and permitting, with construction anticipated in the subsequent fiscal year. Other capital projects include the construction of a helipad for use by emergency services on the Tahoe City Golf Course property, the replacement of the District's automated weather observing system, and the replacement of the obstruction beacon on Bald Mountain. 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.

In 2013-2014 Property Tax Revenues are budgeted to decrease by 3.8% from the 2012-2013 actual amounts. The amount budgeted for the upcoming year is based on information received from Placer and Nevada Counties regarding the valuation of property within the District's boundaries and does not anticipate the level of redevelopment agency trust fund reimbursements the District received in the fiscal year ended September 30, 2013. The Board takes the task of managing the monies received from the District taxpayers seriously. The budgeting process includes analysis of expenditures based on parameters established by the Board of Directors. The parameters are stated as percentages of property tax revenues. Any decrease in the level of funding from property taxes thus flows through the budgeting process.

The District policy relating to the designation of unrestricted net position was reviewed and revised in September of 2013; the policy can be viewed as a tool for communicating the Board's plans for the accumulated net position of the District.

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

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

BASIC FINANCIAL STATEMENTS

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF NET POSITION

AS OF SEPTEMBER 30, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 9,253,459	$ 7,375,325
Investments	750,000	250,000
Accounts receivable	51,434	68,075
Notes receivable	-	500,000
Property taxes receivable	1,093,335	1,055,415
Grants receivable	826,558	659,659
Interest receivable	39,638	22,151
Inventory	79,062	110,807
Prepaid expenses and deposits	175,071	165,295
Total current assets	12,268,557	10,206,727
Non-current Assets		
Investments	250,000	750,000
Non-current receivable	522,500	25,000
Capital assets, net	37,336,450	38,687,710
Total non-current assets	38,108,950	39,462,710
Total assets	50,377,507	49,669,437
LIABILITIES		
Current Liabilities		
Accounts payable	1,358,093	1,452,819
Accrued expenses	83,183	164,790
Unearned revenue	285,460	289,077
Deposits	129,619	138,031
Compensated absences	142,440	116,044
Total current liabilities	1,998,795	2,160,761
Non-current Liabilities		
Compensated absences	82,683	96,939
Total liabilities	2,081,478	2,257,700
NET POSITION		
Invested in capital assets	37,336,450	38,687,710
Restricted	16,468	16,468
Unrestricted	10,943,111	8,707,559
Total net position	$ 48,296,029	$ 47,411,737

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

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Hangar rentals, net of sales discounts of $216,724 and $214,913 for 2013 and 2012	$ 1,100,309	$ 1,072,184
Airside operating revenues, net of cost of sales of $1,275,599 and $957,596 for 2013 and 2012	994,359	728,794
Warehouse	314,153	305,644
Other rentals	162,643	155,363
Total operating revenues	2,571,464	2,261,985
OPERATING EXPENSES		
Salaries and wages	1,300,540	1,237,501
Employee benefits	638,881	736,820
General and administrative	1,929,729	1,438,913
Repairs and maintenance	1,911,738	1,099,794
Depreciation	1,853,450	1,595,551
Total operating expenses	7,634,338	6,108,579
Operating income (loss)	(5,062,874)	(3,846,594)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	4,530,360	4,312,620
Interest income	54,407	56,009
California operating grant	25,297	34,703
Federal operating grant	936,955	-
Other income (expense)	-	25,000
Gain (loss) on disposal of assets	(33,598)	(234,912)
Total nonoperating revenue (expense)	5,513,421	4,193,420
Income (loss) before capital contributions	450,547	346,826
Capital contributions	433,745	2,943,879
Change in net position	884,292	3,290,705
Net position, Beginning of year	47,411,737	44,121,032
Net position, End of year	$ 48,296,029	$ 47,411,737

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

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Cash receipts from customers	$ 3,855,265	$ 3,198,626
Payments to suppliers	(4,365,721)	(3,187,250)
Payments on behalf of employees	(1,927,877)	(1,914,002)
Net cash provided (used) by operating activities	(2,438,333)	(1,902,626)
Cash flows from noncapital financing activities:		
Receipt of property taxes	4,492,440	4,304,316
Receipt of operating grants	135,694	54,703
Receipt of restricted donations	-	25,000
Net cash provided by noncapital financing activities	4,628,134	4,384,019
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,446,991)	(7,006,772)
Receipt of FAA and State of California grants	1,093,404	2,307,698
Proceeds from sale of equipment	5,000	-
Net cash provided (used) by capital and related financing activities	(348,587)	(4,699,074)
Cash flows from investing activities:		
Purchase of investments	-	(250,000)
Interest income received	36,920	45,483
Net cash provided (used) by investing activities	36,920	(204,517)
Increase (decrease) in cash and cash equivalents	1,878,134	(2,422,198)
Beginning cash and cash equivalents	7,375,325	9,797,523
Ending cash and cash equivalents	$ 9,253,459	$ 7,375,325
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (5,062,874)	$ (3,846,594)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,853,450	1,595,551
Decrease (increase) in:		
Accounts receivable	19,142	(29,513)
Inventory	31,745	(1,631)
Prepaid expenses and deposits	(9,776)	(13,947)
Increase (decrease) in:		
Accounts payable	803,876	389,373
Accrued expenses	(74,007)	(60,638)
Deferred revenue	(3,617)	30,419
Deposits	(8,412)	5,356
Compensated absences	12,140	28,998
Net cash provided (used) by operating activities	$ (2,438,333)	$ (1,902,626)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

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

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

<u>Reporting Entity</u>

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

B. BASIS OF PRESENTATION

<u>Enterprise Fund</u>

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

<u>Inventories</u>

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

<u>Operating Revenues</u>

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

B. BASIS OF PRESENTATION (continued)

Capital Assets

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

Net Position

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

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 position that does not meet the definition of "restricted" or "invested" in capital assets, net of related debt."

C. USE OF ESTIMATES

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Economic Resources Measurement Focus

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. The accounting objective of this measurement focus is the determination of operating income, changes in net 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.

E. CASH AND CASH EQUIVALENTS

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

F. INVESTMENTS

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

G. PROPERTY TAX

The District receives property taxes to support its operations. The property tax year runs from July 1 through June 30 of the following year. Secured property taxes are levied as an enforceable lien on property as of the first Monday in March. Taxes are payable in two installments, on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The counties of Placer and Nevada bill and collect the taxes for the District. The District accrues property tax revenues throughout its fiscal year based on estimated allocations received from the counties. At the end of each property tax year the actual receipts are reconciled to amounts accrued and adjustments made to the revenue accounts. Property tax revenues for the years ended September 30, 2013 and 2012 were as follows:

	2013	2012
Placer County	$ 2,961,510	$ 2,855,705
Nevada County	1,568,850	1,456,915
Total	$ 4,530,360	$ 4,312,620

2. CASH AND INVESTMENTS

CASH

A summary of cash and investments held by the District at September 30, 2013 and 2012 is as follows:

	2013	2012
Cash and Cash Equivalents:		
Cash on Hand	$ 700	$ 700
Cash on Deposit at Banks	157,300	51,926
Local Agency Investment Fund	9,078,991	7,306,231
Cash - Restricted for Construction Surety	16,468	16,468
	$ 9,253,459	$ 7,375,325

Deposits - Custodial Credit Risk

The carrying amount of the District's bank accounts was $157,300 and the bank balance was $208,236 at September 30, 2013. Deposits held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities. All cash held by financial institutions at September 30, 2013 was fully insured or collateralized.

Pooled Funds:

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

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

2. CASH AND INVESTMENTS (continued)

Pooled Funds:

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

INVESTMENTS

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

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

The District's Investments are recorded at fair value at September 30, 2013 and September 30, 2012 as follows:

	2013	2012
Investments:		
Certificates of Deposits	$ 1,000,000	$ 1,000,000

Interest Rate Risk

The District has a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At September 30, 2013 and 2012, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

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

Concentration of Credit Risk

The District places limits on the amount it may invest in anyone issuer. At September 30, 2013 and 2012, the District had no concentration of credit risk.

3. PROPERTY AND EQUIPMENT

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

Capital assets activity for the year ended September 30, 2013 and 2012, are as follows:

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Property not depreciated:				
Land and Easements	$ 14,753,927	$ -	$ -	$ 14,753,927
Construction In Progress	2,834,960	457,599	(3,271,016)	21,543
Total Property not Depreciated	17,588,887	457,599	(3,271,016)	14,775,470
Subject to depreciation:				
Land Improvements	17,863,152	$ 3,225,530	(14,918)	21,073,764
Buildings and Improvements	18,422,009	-	(75,258)	18,346,751
Equipment	5,912,942	128,675	(39,154)	6,002,463
Total Property Being Depreciated	42,198,103	3,354,205	(129,330)	45,422,978
Less accumulated depreciation:				
Land Improvements	(10,219,314)	(945,028)	9,199	(11,155,143)
Buildings and Improvements	(7,639,464)	(541,830)	42,379	(8,138,915)
Equipment	(3,240,502)	(366,592)	39,154	(3,567,940)
Total Property Being Depreciated	(21,099,280)	(1,853,450)	90,732	(22,861,998)
Total Property and Equipment Being Depreciated, net	21,098,823	1,500,755	(38,598)	22,560,980
Property and Equipment, net	$ 38,687,710	$ 1,958,354	$ (3,309,614)	$ 37,336,450

3. PROPERTY AND EQUIPMENT (continued)

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Property not depreciated:				
Land and Easements	$ 13,924,292	$ 829,635	$ -	$ 14,753,927
Construction In Progress	6,538,616	5,786,160	(9,489,816)	2,834,960
Total Property not Depreciated	20,462,908	6,615,795	(9,489,816)	17,588,887
Subject to depreciation:				
Land Improvements	19,208,591	$ 1,488,220	(2,833,659)	17,863,152
Buildings and Improvements	12,180,042	6,791,004	(549,037)	18,422,009
Equipment	4,869,874	1,347,636	(304,568)	5,912,942
Master Plan and Surveys	209,974	-	(209,974)	-
Total Property Being Depreciated	36,468,481	9,626,860	(3,897,238)	42,198,103
Less accumulated depreciation:				
Land Improvements	(12,144,777)	(746,943)	2,672,406	(10,219,314)
Buildings and Improvements	(7,601,741)	(522,766)	485,043	(7,639,464)
Equipment	(3,209,563)	(325,842)	294,903	(3,240,502)
Master Plan and Surveys	(209,974)	-	209,974	-
Total Property Being Depreciated	(23,166,055)	(1,595,551)	3,662,326	(21,099,280)
Total Property and Equipment Being Depreciated, net	13,302,426	8,031,309	(234,912)	21,098,823
Property and Equipment, net	$ 33,765,334	$ 14,647,104	$ (9,724,728)	$ 38,687,710

4. EMPLOYEE RETIREMENT PLAN

A. PLAN DESCRIPTION

Truckee Tahoe Airport District participates in the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814. The District currently offers two levels of retirement benefits: Tier 1, a 2.7% at 55 benefit covers employees hired on or before July 1, 2012, and Tier 2, a 2.0% at 60 benefit covers employees hired after July 1, 2012. A third tier will apply to certain employees hired after January1, 2013. The District does not have any employees in that classification as of September 30, 2013.

B. FUNDING POLICY

Tier 1

The District makes the contributions required of active plan members, which is 8% of their salary, and Truckee Tahoe Airport District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the period July 1, 2011 – June 30, 2012 was 14.762%, the rate for the period July 1, 2012 – June 30, 2013 was 15.178% and the rate effective July 1, 2013 was 15.685% of annual payroll for applicable employees. The contribution requirements of the plan members are established by the state statute. Employees pay the required employer contribution, up to a maximum of 8%. The District pays the required employer contributions that exceed 8%.

Tier 2

The District makes the contributions of active plan members, which is 7% of their salary, and Truckee Tahoe Airport District will contribute the actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate effective July 1, 2012 (when Tier 2 was formed) – June 30, 2013 was 7.846% and the rate effective July 1, 2013 was 8.049% of payroll for applicable employees. The contribution requirements of the plan members are established by the state statute. Employees pay the required employer contribution, up to a maximum of 7%. The District pays the required employer contribution that exceeds 7%.

C. ANNUAL PENSION COST

Three year trend information for the plan is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2011	$ 146,693	100%	$0
9/30/2012	$ 182,158	100%	$0
9/30/2013	$ 188,393	100%	$0

D. DEFERRED COMPENSATION PLAN

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

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

5. 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, 2013 and 2012, are as follows:

	September 30, 2012	Net Change	September 30, 2013	Due Within One Year
Accrued Vacation	$ 88,563	$ 3,189	$ 91,752	$ 87,474
Accrued Sick Leave	108,364	3,010	111,374	32,969
Accrued Holiday Leave	16,056	5,941	21,997	21,997
Total	$ 212,983	$ 12,140	$ 225,123	$ 142,440

	September 30, 2011	Net Change	September 30, 2012	Due Within One Year
Accrued Vacation	$ 71,155	$ 17,408	$ 88,563	$ 72,149
Accrued Sick Leave	98,194	10,170	108,364	27,839
Accrued Holiday Leave	14,636	1,420	16,056	16,056
Total	$ 183,985	$ 28,998	$ 212,983	$ 116,044

6. NET POSITION

INVESTED IN CAPITAL ASSETS

Net position 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. Net position invested in capital assets, net of related debt for the years ended September 30, 2013 and 2012 is summarized as follows:

	2013	2012
Invested in Capital Assets:		
Beginning of Year	$ 38,687,710	$ 33,765,334
Capital FAA Grants	433,745	2,943,879
District Investment in Property and Equipment	107,043	3,808,960
Dispositions and Transfers	(38,598)	(234,912)
Depreciation Expense	(1,853,450)	(1,595,551)
Invested in Capital Assets - End of Year	$ 37,336,450	$ 38,687,710

RESTRICTED NET POSITION

The District has restricted net position as follows for the years ended September 30, 2013 and 2012:

	2013	2012
Restricted	$ 16,468	$ 16,468

UNRESTRICTED NET POSITION

The District has designated unrestricted net position as follows for the years ended September 30, 2013 and 2012:

	2013	2012
Future Capital Projects	$ 2,663,111	$ 1,427,559
Net Pension Liability	1,500,000	1,750,000
Operating Funds	2,500,000	2,000,000
Land Acquisition	2,750,000	2,000,000
Contingencies	1,530,000	1,530,000
Total	$ 10,943,111	$ 8,707,559

7. RISK MANAGEMENT

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

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

	SDRMA June 30, 2013
Total Assets	$ 103,936,351
Total Liabilities	$ 48,290,854
Total Net Position	55,645,497
Total Liabilities & Net Assets	$ 103,936,351
Total Revenues	$ 48,692,819
Total Expenses	51,842,502
Change in Net Position	$ (3,149,683)

As of August 1, 2012, the District is self-insured for a portion of the medical insurance coverage offered to employees. The District contracts with Anthem Blue Cross for a policy with high deductibles and high yearly out-of-pocket maximums for its employees. The deductibles and annual out-of-pocket maximum amounts the employees are responsible for are lower, with the District self-insuring for the gap between what the employees pay and where the Anthem Blue Cross policy begins coverage. An accrual of $10,000 and $11,000 was included in the financial statements for the years ended September 30, 2013 and 2012, respectively, to cover the District's estimated exposure. The District carries commercial insurance for all other risks of loss, excluding natural disasters.

8. COMMITMENTS AND CONTINGENCIES

The District has entered into contractual agreements for the various capital projects currently under construction. The remaining commitments on these contracts are approximately $203,226 at September 30, 2013.

As of September 30, 2013, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

9. LAND USAGE AGREEMENT

In June 2008, the District purchased the Ponderosa Golf Course, an operating golf course located in the airport's flight path, for approximately $3,180,000. The land and facilities were immediately leased to the Truckee Donner Recreation and Park District ("TDRPD") and accompanying operational equipment was sold to TDRPD for a nominal fee. As long as TRRPD operates the property for recreational purposes and in compliance with the associated conservation easement, annual rent will be waived by the District. As of September 30, 2013 and 2012, TDRPD operated the property as a golf course and is in compliance with the lease agreement.

10. NOTE RECEIVABLE

The District holds a $500,000 receivable from the Joerger Family as a part of a 2002 property acquisition agreement; the funds were originally due to the District in July of 2012. The receivable is currently the subject of a negotiated settlement that has been agreed to by the parties and will be filed with the court once signed by all parties. The agreement calls for simple interest to be paid on the $500,000 from July 1, 2012 (the original due date) until it is paid in full, which shall be on or before July 1, 2016. The obligation is secured by a deed of trust to property adjacent to the airport, which the District believes has a market value of at least $500,000.

11. DISPOSAL OF ASSETS

The loss on disposal of assets for the year ended September 30, 2013 includes $33,598 related to land improvements and disposition of a modular office building that had not been fully depreciated at the time of disposition.

The loss on disposal of assets for the year ended September 30, 2012 includes $161,253 related to the failure of pavements before the end of their useful life and $73,569 related to the disposal of assets associated with the old terminal building that had not been fully depreciated at the time of disposition.

12. SUBSEQUENT EVENTS

In October 2013, the District purchased property located on Alder Hill Road in Truckee in the amount of $210,000.

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended September 30, 2013 through November 21, 2013, the date the financial statements were issued. Management is not aware of any other subsequent events that would require recognition or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

TRUCKEE TAHOE AIRPORT DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S Department of Transportation		3-06-0262-26	$ 3,500
Airport Improvement Program	20.106	3-06-0262-27	7,191
		3-06-0262-28	474,748
		3-06-0262-29	1,037,367
			$ 1,522,806

Note to Schedule of Expenditures of Federal Awards

Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes federal grant activity of Truckee Tahoe Airport District and is presented under the modified accrual basis of accounting. OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Circular A-133 and state requirements. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

Reconciliation of Grant Expenditures to Grant Revenues

	Expenditures	Federal Share	Revenues
AIP 26 Grant	$ 3,500	95%	$ 3,325
AIP 27 Grant	7,191	90%	6,472
AIP 28 Grant	474,748	90%	427,273
AIP 29 Grant	1,037,367	90%	933,630
Totals	$ 1,522,806		$ 1,370,700

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Truckee Tahoe Airport District
Truckee, California

We have audited the financial statements of Truckee Tahoe Airport District (the "District"), as of and for the year ended September 30, 2013, and have issued our report thereon dated November 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of Example Entity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
November 21, 2013

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Truckee Tahoe Airport District
Truckee, California

Report on Compliance

We have audited Truckee Tahoe Airport District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

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Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the District as of and for the year ended September 30, 2013, and have issued our report thereon dated November 21, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
November 21, 2013

TRUCKEE TAHOE AIRPORT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Section I – Summary of Audit Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_______ Yes	___X___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_______ Yes	___X___ None reported
Noncompliance material to financial statements noted?	_______ Yes	___X___ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_______ Yes	___X___ No
Significant deficiency(ies) identified not considered to be material weaknesses?	_______ Yes	___X___ None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	_______ Yes	___X___ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	___X___ Yes	_______ No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

TRUCKEE TAHOE AIRPORT DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

No matters were reported.