



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

FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2014 AND 2013**

JAMES MARTA & Co. LLP

**701 HOWE AVENUE, E3
SACRAMENTO, CA**

**(916) 993-9494
(916) 993-9489 FAX**

WWW.JPMCPCPA.COM

TRUCKEE TAHOE AIRPORT DISTRICT

SEPTEMBER 30, 2014

BOARD OF DIRECTORS

John B. Jones, Jr. –President

James W. Morrison – Vice President

Mary Hetherington - Director

J. Thomas Van Berkem - Director

Lisa Wallace - Director

* * * *

General Manager
Kevin Smith

TRUCKEE TAHOE AIRPORT DISTRICT

SEPTEMBER 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows	14
Notes to the Basic Financial Statements	15
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	27
OTHER INDEPENDENT AUDITOR'S REPORTS	
Independent Auditor's 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	28
Independent Auditor's 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	30
FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of Findings and Questioned Costs	32
Summary Schedule of Prior Audit Findings	33



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, 2014 and 2013 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.

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, 2014 and 2013 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

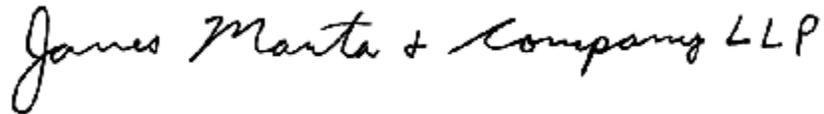
Accounting principles generally accepted in the United States of America require that Management's Discussion on pages 4 – 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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 December 1, 2014 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.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 1, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRUCKEE TAHOE AIRPORT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014 AND 2013

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, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In the fiscal year ended September 30, 2014, the District's operating revenues increased \$130,000 (5%) over the prior fiscal year. This is primarily due to increased fuel sales in 2014.
- The District received funding through Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants in the amount of \$1.1 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 1.6% in fiscal year ended September 30, 2014.
- The District's personnel costs were up 4% (\$74,000) from the prior fiscal year. While actual salaries and wages increased by \$14,000, and employee benefits increased by \$60,000 due to additional spending for training and medical benefits.
- Operating, general and administrative expenses were \$34,000 less than the prior fiscal year. The decrease was not from any single item, but a result of variances both up and down.
- Repair and maintenance expenses were approximately \$1 million less than in the prior fiscal year. In fiscal year 2014 the District completed \$1.7 million in pavement rehabilitation projects, similar to 2013. In 2014, the \$1.7 million was capitalized rather than expensed due to the nature of the project. The pavement projects received funding from the FAA in the amount of \$1.1 million 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 \$1.6 million 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 transient parking rehabilitation project in the summer of 2014, the District has applied some type of treatment to almost all of the Airport's pavements in the last seven years. The pavement management program, completed in 2011, was updated in 2014.
- During the fiscal year ended September 30, 2014, the District completed the final of four Capital Facility plans. 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 has completed the airport Master Plan and has started the CEQA process. District staff, Board members and the community have worked with the outside consultants to ensure the update of 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.

TRUCKEE TAHOE AIRPORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014 AND 2013

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, 2014 and September 30, 2013. 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, 2014 and 2013 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.

TRUCKEE TAHOE AIRPORT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014 AND 2013

FINANCIAL ANALYSIS

NET POSITION

The District's net position at September 30, 2014 totaled \$49,906,465 compared with \$48,296,029 at September 30, 2013. 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.

	<u>September 30, 2014</u>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Assets:			
Cash and Equivalents	\$ 11,312,145	\$ 9,253,459	\$ 7,375,325
Other Current Assets	2,109,668	3,015,098	2,831,402
Total Current Assets	<u>13,421,813</u>	<u>12,268,557</u>	<u>10,206,727</u>
Investments	1,000,000	250,000	750,000
Noncurrent Receivable	20,000	522,500	25,000
Net Property, Plant and Equipment	37,386,324	37,336,450	36,687,710
Total Assets	<u>\$ 51,828,137</u>	<u>\$ 50,377,507</u>	<u>\$ 46,669,437</u>
Liabilities:			
Current liabilities	\$ 1,840,355	\$ 1,998,795	\$ 2,160,761
Long-term liabilities	81,317	82,683	96,939
Total Liabilities	<u>\$ 1,921,672</u>	<u>\$ 2,081,478</u>	<u>\$ 2,257,700</u>
Net Position:			
Invested in capital assets, net of related debt	\$ 37,386,324	\$ 37,336,450	\$ 38,687,710
Restricted	16,468	16,468	16,468
Unrestricted	12,503,673	10,943,111	8,707,559
Total Net Position	<u>\$ 49,906,465</u>	<u>\$ 48,296,029</u>	<u>\$ 47,411,737</u>

The September 30, 2014 cash and cash equivalents balance increased \$2,058,686 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 decrease in Other Current Assets is a result of the District having a shift from short-term to long-term duration in the District's CD investments. The Investment line shows the Certificates of Deposit held by the District with a maturity beyond one year and is up from \$250,000 in 2013 to \$1,000,000 in 2014. The decrease in the Noncurrent Receivable category reflects the collection of the \$500,000 that had been due from the Joerger Family.

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 a capital asset. Additional details on the capital asset additions and dispositions can be found in the Capital Asset section later in this narrative.

TRUCKEE TAHOE AIRPORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014 AND 2013

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 \$12.5 million of unrestricted net position, approximately \$3.6 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 2014; 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 \$1,610,436 for the year ended September 30, 2014. Net operating revenues were slightly greater than the prior year, due to increased fuel sales. In the current fiscal year there was a 20% increase in the number of gallons of fuel sold. Hangar and revenues from other business leasing revenues increased slightly as a result of consumer price index adjustments, and warehouse rentals were down slightly with one vacancy.

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

	Year Ended September 30, 2014	Year Ended September 30, 2013	Year Ended September 30, 2012
Net Operating Revenues	\$ 2,702,074	\$ 2,571,464	\$ 2,261,985
Operating Expenses, Net of Depreciation	(4,807,884)	(5,780,888)	(4,513,028)
Operating Loss Before Depreciation	(2,105,810)	(3,209,424)	(2,251,043)
Depreciation Expense	(1,891,878)	(1,853,450)	(1,595,551)
Net Operating Loss	\$ (3,997,688)	\$ (5,062,874)	\$ (3,846,594)
Nonoperating Income:			
Property Tax Revenue	\$ 4,604,584	\$ 4,530,360	\$ 4,312,620
Gain (Loss) on Disposal of Assets	(308,443)	(33,598)	(234,912)
Grant Revenues – Capital/Operating	1,249,710	1,395,997	2,978,582
Interest and Other Nonoperating Income	62,273	54,407	81,009
Total Nonoperating Income	\$ 5,608,124	\$ 5,947,166	\$ 7,137,299
Change in Net Position	\$ 1,610,436	\$ 884,292	\$ 3,290,705
Net Position at Beginning of Year	48,296,029	47,411,737	44,121,032
Net Position at End of Year	\$ 49,906,465	\$ 48,296,029	\$ 47,411,737

TRUCKEE TAHOE AIRPORT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014 AND 2013

Operating expenses, net of depreciation, decreased \$1,103,614 or 34%, 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 decrease (\$1,169,000) is due to the nature of the pavement maintenance in 2014 being capitalized rather than expensed in the previous year. The District continues to work with its pavement management program to keep the Airport's pavements in top condition. This year, with the aid of an FAA AIP grant, the District expended \$1,700,000 resurfacing and rehabilitation projects. The related grant revenues of \$1,100,000 are included in the grant revenue line above. Property tax revenues were up slightly, increasing \$74,000, or 2%, from the prior fiscal year.

The grant revenues recognized in the current fiscal year relate to Airport Improvement Program grants (AIP #29 and #30) from the FAA. The FAA grant reimbursements were of two types: capital grant revenues, related to capital asset acquisition such as the transient parking rehabilitation, and operating grant revenues, related to the prior year pavement rehabilitation projects. Of the total grant revenues shown above, \$1,130,000 represent capital grant revenues from the FAA and \$120,000 represent FAA operating grant revenues for pavement maintenance and other eligible expenses.

CAPITAL ASSETS

At September 30, 2014, the District had \$37.4 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, 2014	September 30, 2013	September 30, 2012
Land and Easements	\$ 14,966,105	\$ 14,753,927	\$ 14,753,927
Building and Building Improvements	9,671,416	10,207,836	10,782,545
Land Improvements	10,390,372	9,918,621	7,643,838
Equipment	2,328,252	2,434,523	2,672,440
Construction in Progress	30,180	21,543	2,834,960
	<u>\$ 37,386,325</u>	<u>\$ 37,336,450</u>	<u>\$ 38,687,710</u>

The net capital asset balance increased \$49,875 during the 2013-2014 fiscal year. That amount includes net capital additions of \$1,941,753 offset by \$1,891,878 in depreciation expense for the year. The capital additions are detailed in the table below. The District was the beneficiary of funding from an AIP 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 <u>September 30, 2014</u>
Transient Parking Rehabilitation-AIP #30	1,745,728
Alder Hill Lot	212,178
Maintenance / Airfield Operations Equipment	283,654
Tahoe City Helipad Design and Miscellaneous	8,637
Less: Dispositions of Capital Assets, Net of Accumulated Depreciation	(308,444)
Total Additions	<u>\$ 1,941,753</u>

TRUCKEE TAHOE AIRPORT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014 AND 2013

ECONOMIC FACTORS AND BUDGET

Based on the strategic plan adopted by the Board of Directors, the fiscal year 2015 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 twenty months. The Board accepted the draft Master Plan at the August 2014 Board Meeting. The new Master Plan process, kicked off in December 2012, and is divided into 2 distinct phases:

- *Phase 1: Comprehensive Community Outreach (February-June 2014)* 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 2014-March 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 is currently preparing an environmental document in accordance with the California Environmental Quality Act (CEQA) that will ultimately lead to the master plan's final adoption.

The Master Plan process will span three fiscal years, but the fiscal effects of the master plan will be seen far into the future. Development alternatives included lengthening and widening runway 02-20, a multi-million dollar project that could improve safety and reduce the Airport's impact on the community. The fiscal year 2014-2015 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 significant increase in the number of gallons of JetA fuel sold in fiscal 2014 – 25% more than in the prior year. The District feels that JetA fuel sales are trending upward and has included that as a factor in the budgeting process. The gross margin for the District's fuel sales is based on a standard mark-up per gallon. This mark-up is designed to cover the costs associated with providing fueling services. A decrease or increase in fuel costs will impact total revenues and related cost of sales and variances to the budgeted amounts.

The consumer price index adjustment clause in the District's hangar rental contract resulted in a slight increase to the rental rate per square foot for the box hangars beginning in September of 2014. The t-hangar tenant turnover during the past twelve months has leveled out, while demand for box hangars remained strong. The Board decided to include the consumer price index clause for all hangar tenants at 1.9%. The vacancy factor used to estimate hangar revenues in the budget remained 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.

TRUCKEE TAHOE AIRPORT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014 AND 2013

The importance of public outreach is not limited to the District's master planning process. The 2014-2015 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, 2013 and 2014 events were very successful, not just in terms of community approval, but also as a fundraiser for the non-profit organizations involved. The fiscal 2015 budget contains funding to take the event to a higher level in the summer of 2015.

While the AirShow 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's meetings continue to be broadcast over the local cable channel and the internet. They are archived on the District's website for viewing at any time. The District has contracted with New Leaders to refresh and update the District website. The new and improved format will assist constituents and customers with news and information about the District..

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 of the Capital Facility plans of the District involve investment in facilities and infrastructure. The District takes these elements of the plan very seriously and devotes a great deal of funding, both monetary and in terms of man-hours, to seeing that these objectives are met. An example of this is the recently completed utilities maintenance plan. The document was created to focus the District's resources on the most efficient and effective way to maintain the District's infrastructure. The prescriptive maintenance will be evaluated by District 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 \$900,000 for projects identified in the 5 maintenance plans. These plans includes a forecast for the next ten years, and will be a valuable tool in fiscal planning for the District going forward.

TRUCKEE TAHOE AIRPORT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014 AND 2013

The fiscal year 2014-2015 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 2013 and 2014. The District submitted a grant, but did not receive funding. The District will purchase this equipment in the upcoming fiscal year. An additional \$2,450,000 in pavement maintenance projects is budgeted. 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. There is another \$740,000 in snow removal and equipment purchases. The design and permitting for a multipurpose-community hangar is included in the budget at \$400,000. 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, and the replacement of the obstruction beacon on Bald Mountain. Through the budget process, and review of the Capital Facility plans, the Board of Directors reviews significant capital projects. The availability of grant funds is taken into consideration before a commitment is made to begin a project. One aspect of the Board's review of any new capital project is an analysis of the effect that the expenditure will have on user rates and fees. The Board has determined that the cost to provide a service and a return on the District's investment, when appropriate, should be considered when rate schedules are set. They believe all capital investments should be reviewed based on the potential effect the expenditure would have on rate-payers and the overall financial stability of the District in the future.

In 2014-2015 Property Tax Revenues were budgeted to increase by 1.6% from the 2013-2014 actual amounts. The amount budgeted for the upcoming year is based on information received from Placer and Nevada Counties regarding the valuation of property within the District's boundaries. The Board takes the task of managing the monies received from the District taxpayers seriously. The budgeting process includes analysis of expenditures based on parameters established by the Board of Directors. The parameters are stated as percentages of property tax revenues. Any decrease in the level of funding from property taxes thus flows through the budgeting process.

The District policy relating to the designation of unrestricted net position was reviewed and revised in October of 2014; 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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 11,312,145	\$ 9,253,459
Investments	-	750,000
Accounts receivable	14,625	51,434
Property taxes receivable	1,146,250	1,093,335
Grants receivable	559,374	826,558
Interest receivable	9,008	39,638
Inventory	144,432	79,062
Prepaid expenses and deposits	235,979	175,071
Total current assets	<u>13,421,813</u>	<u>12,268,557</u>
Non-current Assets		
Investments	1,000,000	250,000
Non-current receivable	20,000	522,500
Capital assets, net	37,386,324	37,336,450
Total non-current assets	<u>38,406,324</u>	<u>38,108,950</u>
Total assets	<u>51,828,137</u>	<u>50,377,507</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,202,827	1,358,093
Accrued expenses	82,011	83,183
Unearned revenue	288,032	285,460
Deposits	137,519	129,619
Compensated absences	129,966	142,440
Total current liabilities	<u>1,840,355</u>	<u>1,998,795</u>
Non-current Liabilities		
Compensated absences	81,317	82,683
Total liabilities	<u>1,921,672</u>	<u>2,081,478</u>
NET POSITION		
Invested in capital assets	37,386,324	37,336,450
Restricted	16,468	16,468
Unrestricted	12,503,673	10,943,111
Total net position	<u>\$ 49,906,465</u>	<u>\$ 48,296,029</u>

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Hangar rentals, net of sales discounts of \$214,124 and \$216,724 for 2014 and 2013	\$ 1,107,515	\$ 1,100,309
Airside operating revenues, net of cost of sales of \$1,469,372 and \$1,275,599 for 2014 and 2013	1,125,035	994,359
Warehouse	303,628	314,153
Other rentals	165,896	162,643
Total operating revenues	2,702,074	2,571,464
OPERATING EXPENSES		
Salaries and wages	1,315,239	1,300,540
Employee benefits	698,365	638,881
General and administrative	1,897,816	1,929,729
Repairs and maintenance	896,464	1,911,738
Depreciation	1,891,878	1,853,450
Total operating expenses	6,699,762	7,634,338
Operating income (loss)	(3,997,688)	(5,062,874)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	4,604,584	4,530,360
Interest income	62,273	54,407
California operating grant	-	25,297
Federal operating grant	119,370	936,955
Gain (loss) on disposal of assets	(308,443)	(33,598)
Total nonoperating revenue (expense)	4,477,784	5,513,421
Income (loss) before capital contributions	480,096	450,547
Capital contributions	1,130,340	433,745
Change in net position	1,610,436	884,292
Net position, Beginning of year	48,296,029	47,411,737
Net position, End of year	\$ 49,906,465	\$ 48,296,029

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Cash receipts from customers	\$ 2,749,355	\$ 3,855,265
Other cash receipts	500,000	-
Payments to suppliers	(3,016,723)	(4,365,721)
Payments on behalf of employees	(1,971,458)	(1,927,877)
Net cash provided (used) by operating activities	(1,738,826)	(2,438,333)
Cash flows from noncapital financing activities:		
Receipt of property taxes	4,551,669	4,492,440
Receipt of operating grants	945,928	135,694
Receipt of restricted donations	-	-
Net cash provided by noncapital financing activities	5,497,597	4,628,134
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,366,454)	(1,446,991)
Receipt of FAA and State of California grants	570,966	1,093,404
Proceeds from sale of equipment	-	5,000
Net cash provided (used) by capital and related financing activities	(1,795,488)	(348,587)
Cash flows from investing activities:		
Interest income received	95,403	36,920
Net cash provided (used) by investing activities	95,403	36,920
Increase (decrease) in cash and cash equivalents	2,058,686	1,878,134
Beginning cash and cash equivalents	9,253,459	7,375,325
Ending cash and cash equivalents	\$ 11,312,145	\$ 9,253,459
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (3,997,688)	\$ (5,062,874)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,891,878	1,853,450
Decrease (increase) in:		
Accounts receivable	36,811	19,142
Inventory	(65,370)	31,745
Prepaid expenses and deposits	55,349	(9,776)
Non-current receivable	500,000	-
Increase (decrease) in:		
Accounts payable	(155,266)	803,876
Accrued expenses	(1,172)	(74,007)
Unearned revenue	2,572	(3,617)
Deposits	7,900	(8,412)
Compensated absences	(13,840)	12,140
Net cash provided (used) by operating activities	\$ (1,738,826)	\$ (2,438,333)

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

TRUCKEE TAHOE AIRPORT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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.

Reporting Entity

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

Enterprise Fund

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.

Inventories

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

Operating Revenues

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.

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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.

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Placer County	\$ 3,043,744	\$ 2,961,510
Nevada County	1,560,840	1,568,850
Total	<u>\$ 4,604,584</u>	<u>\$ 4,530,360</u>

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

2. CASH AND INVESTMENTS

CASH

A summary of cash and investments held by the District at September 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents:		
Cash on Hand	\$ 700	\$ 700
Cash on Deposit at Banks	794,027	157,300
Local Agency Investment Fund	10,500,950	9,078,991
Cash - Restricted for Construction Surety	16,468	16,468
	<u>\$ 11,312,145</u>	<u>\$ 9,253,459</u>

Deposits - Custodial Credit Risk

The carrying amount of the District's bank accounts was \$794,027 and the bank balance was \$794,577 at September 30, 2014. 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, 2014 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.

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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, 2014 and September 30, 2013 as follows:

	<u>2014</u>	<u>2013</u>
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, 2014 and 2013, 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, 2014 and 2013, the District had no concentration of credit risk.

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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, 2014 and 2013, are as follows:

	Balance September 30, 2013	Additions	Deletions	Balance September 30, 2014
Property not depreciated:				
Land and Easements	\$ 14,753,927	\$ 212,178		\$ 14,966,105
Construction In Progress	21,543	8,700	(63)	30,180
Total Property not Depreciated	14,775,470	220,878	(63)	14,996,285
Subject to depreciation:				
Land Improvements	21,073,764	\$ 1,745,728	(1,213,487)	21,606,005
Buildings and Improvements	18,346,751	-	-	18,346,751
Equipment	6,002,463	283,654	(123,418)	6,162,699
Total Property Being Depreciated	45,422,978	2,029,382	(1,336,905)	46,115,455
Less accumulated depreciation:				
Land Improvements	(11,155,143)	(965,533)	905,043	(11,215,633)
Buildings and Improvements	(8,138,915)	(536,420)	-	(8,675,335)
Equipment	(3,567,940)	(389,925)	123,418	(3,834,447)
Total Property Being Depreciated	(22,861,998)	(1,891,878)	1,028,461	(23,725,415)
Total Property and Equipment Being Depreciated, net	22,560,980	137,504	(308,444)	22,390,040
Property and Equipment, net	\$ 37,336,450	\$ 358,382	\$ (308,507)	\$ 37,386,325

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

3. PROPERTY AND EQUIPMENT (continued)

	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	<u>17,588,887</u>	<u>457,599</u>	<u>(3,271,016)</u>	<u>14,775,470</u>
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	<u>42,198,103</u>	<u>3,354,205</u>	<u>(129,330)</u>	<u>45,422,978</u>
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	<u>(21,099,280)</u>	<u>(1,853,450)</u>	<u>90,732</u>	<u>(22,861,998)</u>
Total Property and Equipment Being Depreciated, net	21,098,823	1,500,755	(38,598)	22,560,980
Property and Equipment, net	<u>\$ 38,687,710</u>	<u>\$ 1,958,354</u>	<u>\$ (3,309,614)</u>	<u>\$ 37,336,450</u>

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 and tier 3, a 2.0% at 62 benefit covers employees hired after January 1, 2013.

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 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, 2012 – June 30, 2013 was 15.178%, the rate for the period July 1, 2013 – June 30, 2014 was 15.685% and the rate effective July 1, 2014 was 16.691% 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 – June 30, 2014 was 8.049% and the rate effective July 1, 2014 was 8.005% 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%.

Tier 3

The District makes the contributions of active plan members, which is 6.25% 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, 2013 (when Tier 2 was formed) – June 30, 2014 was 6.25% and the rate effective July 1, 2014 was 6.25% 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 6.25%. The District pays the required employer contribution that exceeds 6.25%.

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
9/30/2012	\$ 182,158	100%	\$ -
9/30/2013	\$ 188,393	100%	\$ -
9/30/2014	\$ 190,774	100%	\$ -

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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 from 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, 2014 and 2013, are as follows:

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

	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	<u>\$ 212,983</u>	<u>\$ 12,140</u>	<u>\$ 225,123</u>	<u>\$ 142,440</u>

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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, 2014 and 2013 is summarized as follows:

	<u>2014</u>	<u>2013</u>
Invested in Capital Assets:		
Beginning of Year	\$ 37,336,450	\$ 38,687,710
Capital FAA Grants	1,130,340	433,745
District Investment in Property and Equipment	1,119,920	107,043
Dispositions and Transfers	(308,507)	(38,598)
Depreciation Expense	(1,891,878)	(1,853,450)
Invested in Capital Assets - End of Year	<u>\$ 37,386,325</u>	<u>\$ 37,336,450</u>

RESTRICTED NET POSITION

The District has restricted net position as follows for the years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Restricted	<u>\$ 16,468</u>	<u>\$ 16,468</u>

UNRESTRICTED NET POSITION

The District has designated unrestricted net position as follows for the years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Future Capital Projects	\$ 4,073,673	\$ 2,663,111
Net Pension Liability	1,500,000	1,500,000
Operating Funds	2,650,000	2,500,000
Land Acquisition	2,750,000	2,750,000
Contingencies	1,530,000	1,530,000
Total	<u>\$ 12,503,673</u>	<u>\$ 10,943,111</u>

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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 form 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 <u>June 30, 2014</u>
Total Assets	<u>\$ 103,447,984</u>
Total Liabilities	\$ 50,078,187
Total Net Position	<u>53,369,797</u>
Total Liabilities & Net Position	<u>\$ 103,447,984</u>
Total Revenues	\$ 52,110,542
Total Expenses	<u>54,386,242</u>
Change in Net Position	<u>\$ (2,275,700)</u>

As of August 1, 2012, the District is self-insured for a portion of the medical insurance coverage offered to employees. The District contracts with Anthem Blue Cross for a policy with high deductibles and high yearly out-of-pocket maximums for its employees. The deductibles and annual out-of-pocket maximum amounts the employees are responsible for are lower, with the District self-insuring for the gap between what the employees pay and where the Anthem Blue Cross policy begins coverage. An accrual of \$10,000 was included in the financial statements for the years ended September 30, 2014 and 2013, 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 \$335,836 and \$203,226 at September 30, 2014 and 2013, respectively.

As of September 30, 2014, 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.

TRUCKEE TAHOE AIRPORT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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, 2014 and 2013, TDRPD operated the property as a golf course and is in compliance with the lease agreement.

10. NOTE RECEIVABLE

The District held 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 agreement called 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 District received payment of the note along with interest in September 2014.

11. DISPOSAL OF ASSETS

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

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.

12. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended September 30, 2014 through December 1, 2014, 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, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S Department of Transportation		3-06-0262-29	\$ 132,633
Airport Improvement Program	20.106	3-06-0262-30	<u>1,255,933</u>
			<u>\$ 1,388,567</u>

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

	<u>Expenditures</u>	<u>Federal Share</u>	<u>Revenues</u>
AIP 29 Grant	\$ 132,633	90%	\$ 119,370
AIP 30 Grant	<u>1,255,933</u>	90%	<u>1,130,340</u>
Totals	<u>\$ 1,388,567</u>		<u>\$ 1,249,710</u>



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, 2014, and have issued our report thereon dated December 1, 2014. 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.

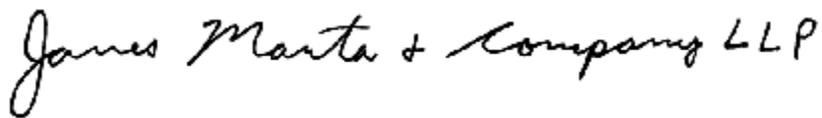
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

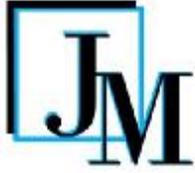
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 1, 2014



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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, 2014. 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, 2014.

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.

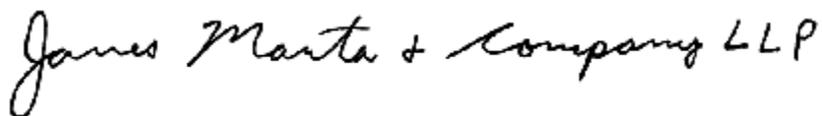
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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, 2014, and have issued our report thereon dated December 1, 2014, 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
Certified Public Accountants
Sacramento, California
December 1, 2014

TRUCKEE TAHOE AIRPORT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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, 2014

No matters were reported.