

November 9, 2017

Board of Trustees of the  
Carson City Airport Authority  
2600 College Parkway #34  
Carson City, Nevada 89706

Enclosed are sixteen (16) copies (fifteen (15) bound and one (1) unbound) of the audited financial statements and one original and fifteen copies of the required Board communication letter for the Airport Authority of Carson City, Nevada, for the year ended June 30, 2017. The unbound copy is provided so that you may make additional copies of the entire financial statements as may be needed for authorized recipients, but please do not provide partial copies of individual statements or schedules.

The reporting package and Data Collection Form are in the process of being submitted electronically to the Federal Audit Clearinghouse.

In addition, please notify the FAA that the reporting package is available if they wish to have a copy:

We thank you for the opportunity to be of service to you and look forward to continuing our relationship in the future. If you have any questions, call me at our office.

Sincerely,

KOHN & COMPANY LLP



Beth Kohn-Cole, CPA, CGMA

October 13, 2017

Board of Trustees  
Airport Authority of Carson City  
2600 College Parkway, Suite 34  
Carson City, Nevada 89706

We have audited the financial statements of the Airport Authority of Carson City for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 4, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Issues concerning significant estimates made by management include:

- Management's identification of and process for making significant accounting estimates
- Risks of material misstatement
- Indicators of possible management bias
- Disclosure of estimation uncertainty in the financial statements

The most significant estimates affecting your financial statements include:

- Management's estimates of collectability of accounts and grants receivable based on historical collections
- Depreciation expense based on the estimated useful lives of property and equipment
- Net future pension liability for PERS benefits

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. However, we did propose accrual basis adjustments for prepaid expenses, grants receivable, retention payable and accrued payroll as well as adjustments for the government-wide financial statements including the PERS liability.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 13, 2017.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The Uniform Guidance for federal expenditures is currently effective. Some notable items relating to the new guidance are:

- The definition of what constitutes an allowable cost remains essentially the same (i.e., necessary, reasonable, allocable, allowable, and consistently treated).
- Written documentation relating to internal control systems, including those related to the federal awards and expenditures.
- Administrative and clerical salaries should still not be direct charged in most cases.
- Requires recipients to have internal controls in compliance with COSO's Internal Control Integrated Framework and the GAO's Standards for Internal Control in the Federal Government ("Green Book"). The Authority should document the internal controls over federal expenditures. Internal Controls are an essential part of spending federal funds and are stressed much more heavily in the new guidance.
- A list of five procurement methods are provided. Written procedure policies are required. This portion of the Guidance will be effective next year. Items to consider and document are:
  - Aggregate small purchase procedures which require purchases over \$3,500 be competitive in some way. The Authority can use simple informal procurement methods. Price or rate quotations must be obtained from an adequate number of qualified sources.
  - For purchases over \$150,000 annually, an entity may use sealed bids, competitive proposals, or non competitive proposals depending on the circumstances of each planned purchase.



The Authority should review their current policies and update as necessary to remain in compliance with the new standards. It is very possible that the Authority has not had audit findings in the past but may find their existing policies and procedures are not sufficient under the new Uniform Guidance.

This information is intended solely for the use of the Board of Trustees of the Carson City Airport Authority and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KOHN & COMPANY LLP



Beth Kohn-Cole, CPA, CGMA



**AIRPORT AUTHORITY  
OF CARSON CITY**

**REPORTING PACKAGE**

**JUNE 30, 2017**

**AIRPORT AUTHORITY OF CARSON CITY**  
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**JUNE 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the  
Airport Authority of Carson City

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the general fund of the Airport Authority of Carson City (Authority), a component unit of Carson City, Nevada, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of the Airport Authority of Carson City, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 3-5, 21-22, and 23, respectively, 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, 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 management discussion and analysis and pension information in accordance with auditing standards generally accepted in the United States of America, which consisted 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.

The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Information**

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017, on our consideration of the Airport Authority of Carson City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*None & Company*

Reno, Nevada  
October 13, 2017





**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AIRPORT AUTHORITY OF CARSON CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

The Airport Authority of Carson City's (Authority) management discussion and analysis is designed to, (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activities, (c) identify changes in the Authority's financial position in connection with current and subsequent years challenges, (d) identify any material deviations from the approved budget, and (e) identify issues and concerns.

We encourage readers to read this information in conjunction with the financial statements and notes to financial statements in order to obtain a comprehensive view of the information presented.

#### INTRODUCTION

The Authority is an independent political subdivision of the State of Nevada created pursuant to Chapter 844, Statutes of Nevada, 1989. It is charged with the administration and operation of the municipal airport in Carson City, Nevada. The airport's funding for capital improvements is a cooperative effort of the Federal Aviation Administration (FAA) and the Authority. Approximately 90% of the funding for capital improvements is in the form of grants from the FAA and the balance is matching funds provided by the Authority from revenues generated by operations. Accordingly, no separate ad valorem taxes or bonding for construction is required of the citizens of Carson City. Revenue generated from airport operations are sufficient for the annual cost of these operations as well as the implementation of the master plan approved by Carson City in March of 2001.

#### FINANCIAL HIGHLIGHTS

Revenue from operational activities decreased 2% over the previous year and exceeded budget by 10%. Operational revenue comes from three primary sources: (a) property leases (38%); (b) a portion of real and personal property taxes collected by Carson City for buildings on leased airport property and aircraft based at the airport (39%) and (c) other operational activities such as tie down fees, rock sales, fuel flowage fees, and interest on cash in the bank (23%).

Operational expenditures of \$350,151 were 1.09% over the budgeted figure of \$346,268 and \$5,926 higher than the previous year primarily due to additional expenditures related to legal costs and employee benefits relating to health insurance premiums.

Operational activities provided revenue of \$534,795, which is 10% above the budgeted figure of \$486,327.

The Authority requested and was approved to receive a total of \$2,573,438 in federal grant money from the FAA, grant number AIP 3-32-0004-030-2016, for the purpose of rehabilitation of the north apron reconstruction and reimbursement of previously expended funds in connection with the AGIS survey that were incurred in 2013. As of June 30, 2017, the Authority expended \$2,386,190 of the grant and \$159,079 of Authority funds for grant matching, for a total of \$2,545,269 expended on the project. The project is expected to be completed in September 2017.

The Authority has replaced the roof and rehabilitated the terminal building during the year ended June 30, 2017 to mitigate mold at a cost of \$103,001.

#### FINANCIAL STATEMENTS

The first two statements (pages 7 and 8) are combined *fund* and *government-wide* (*Statement of Net Position*) financial statements that provide both long-term and short-term information about the Authority's overall financial status. The primary differences between the General Fund Statements and the Statement of Net Position relate to the capitalization and depreciation of capital assets, the inclusion of the lease payment exchange for infrastructure as a liability and the addition of the PERS liability and related deferred outflow and inflow activity in the government-wide statements. As summary of the condensed government-wide financial information is presented below:

**AIRPORT AUTHORITY OF CARSON CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Condensed Statements of Net Position			Condensed Statements of Activities	
	2017	2016		2017	2016
Cash	\$ 697,829	\$ 582,014	Expenses		
Receivables	473,007	219,008	Airport operations	\$ 378,502	\$ 372,403
Capital assets, net	216,313	238,085	Airport construction, planning projects, and capital outlay	2,584,470	166,674
Prepaid expenses	4,567	4,573		2,962,972	539,077
Prepaid airport improvements	170,213	176,453	Revenue		
Deferred outflows of resources	36,222	14,495	Charges for services	434,089	337,932
	1,598,151	1,234,628	Grants	2,386,190	150,000
Accounts payable and accrued expenses	280,347	19,617	Investment income	803	554
Advance payments on leases	538,386	529,313	Property taxes	209,001	208,879
Net pension liability	231,620	199,322		3,030,083	697,365
Deferred outflows of resources	62,388	68,077	Change in net position	\$ 67,111	\$ 158,288
	1,112,741	816,329			
Net position	\$ 485,410	\$ 418,299			

The Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (pages 21 and 22) shows income and expenditures in the same format as our budget is generally presented. There were no significant variances between budgeted and actual figures except for additional revenue earned from rock sales.

**YEAR-END POSITION**

The Authority expects to maintain a minimum fund balance in future years with the possibility that the fund balance will actually become negative as the Authority continues to utilize prepaid leases to fund the match on FAA projects but believes the cash flow necessary to fund on-going operations is available.

**DEBT ACTIVITY**

The Authority currently has no bond indebtedness.

**ECONOMIC FACTORS**

Primarily all airport revenue, other than grants, is based on personal property taxes and long-term property leases (50 years or more). These revenue sources are stable. As additional areas of the airport are developed, the additional leases and buildings should provide increases in revenue beyond increases in the CPI.

The Authority will continue to implement the 2001 Master Plan over the next two years with the following Airport Capital Improvement Program (ACIP) projects: Replace Automatic Gates, Perimeter Fences and Overlay Perimeter Road. A new Master Plan will be developed in 2018 and will describe the priorities set for the next 20 years. Based upon economic recovery, the Airport Authority will also be looking to implement the 33 acre Center Triangle Development in the new Master Plan, which will provide the Airport with mixed-use aircraft hangars. The improvements to the Airport and its facilities should increase interest in the Airport as a home for an increased number of aircraft thus increasing the revenue stream from real and personal property taxes, property leases, and fuel flowage fees.

**RISK ASSESSMENT**

FAA funds authorized to be used for airport development are determined annually and the amount authorized will impact the timing of the implementation of the master plan. It is the intent of the Authority to begin the process for a new master plan in the next fiscal year at a cost of \$450,000 and to obtain FAA funds to assist in this process.

**BASIC FINANCIAL STATEMENTS**

**AIRPORT AUTHORITY OF CARSON CITY**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET**  
**JUNE 30, 2017**

	General Fund	Adjustments (Note 12)	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 697,829	\$ -	\$ 697,829
Accounts receivable	35,634	-	35,634
Due from other government	437,373	-	437,373
Capital assets, net of accumulated depreciation	-	216,313	216,313
Prepaid expenses	4,567	-	4,567
Prepaid airport improvements	-	170,213	170,213
Total assets	<u>1,175,403</u>	<u>386,526</u>	<u>1,561,929</u>
<b>DEFERRED OUTFLOWS OF RESOURCES - PENSION REQUIREMENT</b>			
Total assets and deferred outflows of resources	<u>-</u>	<u>36,222</u>	<u>36,222</u>
	<u>\$ 1,175,403</u>	422,748	1,598,151
<b>LIABILITIES</b>			
Accounts payable	\$ 17,708	-	17,708
Accounts payable - construction projection	256,896	-	256,896
Accrued expenses	5,138	605	5,743
Advance payments on leases	14,856	-	14,856
Long-term lease transactions	353,317	170,213	523,530
Net pension liability	-	231,620	231,620
Total liabilities	<u>647,915</u>	<u>402,438</u>	<u>1,050,353</u>
<b>DEFERRED INFLOWS OF RESOURCES - PENSION REQUIREMENT</b>			
Total liabilities and deferred inflows of resources	<u>-</u>	<u>62,388</u>	<u>62,388</u>
	647,915	464,826	1,112,741
<b>FUND BALANCE / NET POSITION</b>			
<b>Fund balance</b>			
Nonspendable			
Prepaid expenses	4,567	(4,567)	-
Committed			
Gate fees	20,736	(20,736)	-
Assigned			
Designated for subsequent year's expenditures	474,304	(474,304)	-
Unassigned	27,881	(27,881)	-
Total fund balance	<u>527,488</u>	<u>(527,488)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,175,403</u>		
<b>Net Position</b>			
Net invested in capital assets, net of related debt		216,313	216,313
Unrestricted		<u>269,097</u>	<u>269,097</u>
Total net position		<u>\$ 485,410</u>	<u>\$ 485,410</u>

See accompanying notes

**AIRPORT AUTHORITY OF CARSON CITY**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Adjustments (Note 12)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Airport Authority operations	\$ 356,291	\$ 22,211	\$ 378,502
Airport construction, planning projects and capital outlay	2,584,470	-	2,584,470
Total expenditures/expenses	<u>2,940,761</u>	<u>22,211</u>	<u>2,962,972</u>
<b>PROGRAM REVENUE</b>			
Charges for services	434,089	-	434,089
Federal grants	2,386,190	-	2,386,190
Total program revenue	<u>2,820,279</u>	<u>-</u>	<u>2,820,279</u>
Net program revenue (expenditures/expenses)	(120,482)	(22,211)	(142,693)
<b>GENERAL REVENUE</b>			
Investment income	803	-	803
Property taxes	209,001	-	209,001
Total general revenue	<u>209,804</u>	<u>-</u>	<u>209,804</u>
Excess of revenue over expenditures	89,322	(89,322)	-
Change in net position	-	67,111	67,111
<b>FUND BALANCE / NET POSITION</b>			
Beginning of year	<u>438,166</u>	<u>(19,867)</u>	<u>418,299</u>
End of year	<u>\$ 527,488</u>	<u>\$ (42,078)</u>	<u>\$ 485,410</u>

See accompanying notes

**NOTES TO FINANCIAL STATEMENTS**

**AIRPORT AUTHORITY OF CARSON CITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Airport Authority of Carson City's (Authority) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

**Reporting Entity**

The financial statements present the financial position and results of operations of the Authority, under the direct jurisdiction of the Board of Trustees of the Authority. The Authority, as organized under Senate Bill No. 255 of the 1989 Legislative Session, Special Act Nevada Revised Statutes Chapter 844, provides for management and maintenance of the Carson City airport.

The Authority is considered to be part of the city of Carson City, Nevada's reporting entity because it has oversight responsibility and, therefore, these statements are described as component unit financial statements. The criteria used in determining oversight responsibility for financial reporting purposes is set forth by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Indications of oversight responsibility include: (1) appoints, or serves as, a majority of the organization's governing body and is able to impose its will or there is a potential to provide financial benefits or impose financial burdens, or (2) financial dependency. The Authority has no component units to include in these financial statements.

The Airport Manager maintains all accounting records.

**Basic Financial Statements – Government-Wide Statements**

The basic financial statements include both government-wide and fund financial information. The government-wide financial statements are reflected on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations.

**Basic Financial Statements - Fund Accounting**

The financial transactions of the Authority are reported in the general fund. The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. The Authority's general fund is a governmental fund type. Governmental funds are accounted for on a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets. The recorded fund balance is considered a measure of "available spendable resources." Operating statements for governmental funds present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

**Basis of Accounting**

The Authority is defined as a single-program special-purpose entity under GASB Statement No. 14, paragraph 131 as amended by GASB Statement No. 39. This classification allows for the preparation of GASB 34 financial statements under an optional reporting method which combines the fund and government-wide statements into a single presentation. Under standard GASB 34 methodology, the government-wide statement of net position and statement of activities are presented independently from the respective fund balance sheet and statement of revenues, expenditures, and fund balance. A reconciliation of adjustments provided on the modified financial statements demonstrates the changes from the fund financial statements to the government-wide financial statements in order to assist the reader in evaluating these statements. The Authority has utilized this optional method of presentation.



**AIRPORT AUTHORITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting** (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority maintains its accounting records for its governmental fund types on the modified accrual basis of accounting. This method provides for recognizing expenditures at the time liabilities are incurred, while revenue is recorded when measurable and available to finance expenditures of the fiscal period. Available is defined as being due and collected within the current period or within 60 days after fiscal year end. When revenue is due, but will not be collected within 60 days, the receivable is recorded and an offsetting deferred revenue account is established.

**Budgets and Budgetary Accounting**

The Authority adheres to the Local Government Budget Act incorporated within Statutes of the State of Nevada. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Appropriations lapse at year end. Budget amounts within the general fund may be transferred if amounts do not exceed the original budget. Such budget augmentations in excess of original budgetary amounts may not be made without prior approval of the Trustees. In accordance with the Statutes, actual expenditures may not exceed budget appropriations of the Airport function of the general fund.

An encumbrance system is not utilized by the Authority.

**Cash**

Cash is maintained in one commercial bank in Carson City, Nevada. The Authority does not currently have a deposit policy related to custodial credit risk.

**Inventory of Consumable Supplies**

Management of the Authority has elected to consider expenditures for supplies held for consumption as charges against appropriations at the time of purchase. Any inventories of such supplies at June 30, 2017, are not material and accordingly, are not recognized in the financial statements.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

All capital assets are valued at historical cost. Capital assets of the Authority originally included the improvements to the runway area such as lights, fencing, equipment, and property acquired for clear zones. The assets transferred from Carson City, Nevada, at their original cost to the City, were capitalized at that amount. Capital outlay incurred for land and improvements to airport property purchased with pass-through grantor funds with Carson City, Nevada as the sponsor agency have not been capitalized; however, they are reflected in the City's financial statements.

For purposes of the government-wide financial statements, depreciation of capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The Authority's capital assets consist of vehicles, machinery and equipment which have useful lives of 5 to 10 years.

**AIRPORT AUTHORITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets** (Continued)

In the fund financial statements, capital assets used in operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Advance Payments on Leases and Long-Term Lease Transactions**

Advance payments on leases and long-term lease transactions represent credits on airport leases and infrastructure charges to be realized during future periods.

**Deferred Outflows and Inflows of Resources**

In addition to assets, a separate section is reported for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The changes in proportion and differences between employer contributions and the proportionate share of contributions as well as contributions made after the measurement period for pensions qualify for reporting in this category.

In addition to liabilities, a separate section is reported for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Differences between expected and actual experience and between projected and actual investment earnings on pension plan investments qualify for reporting in this category.

**Equity Classifications**

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- Net invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and net of any related debt.
- Restricted net position – consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Authority has no restricted net position.
- Unrestricted net position – net position that is neither classified as “restricted” nor as “invested in capital assets.”

In the governmental fund financial statement, fund balances are classified as follows:

**Nonspendable** - represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The Authority includes fund balances that have been prepaid for expenses in this category.

**Restricted** – represents amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions. The Authority has no restricted fund balances.

**Committed** – represents amounts which can be used only for specific purposes determined by the members of the governing Board’s formal action through a resolution or action. The Authority has committed resources for gate expenditures that result from gate fee charges.

**AIRPORT AUTHORITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Equity Classifications** (Continued)

Assigned - represents amounts that are intended by the Authority for specific purposes but do not require action by the governing Board. The Authority has amounts designated for subsequent year expenditures included in this category which represent the lower of the next year's budgeted opening fund balance or the remaining actual fund balance available.

Unassigned - represents all amounts not included in non-spendable classifications.

The Authority's policy is to first apply expenditures against non-spendable fund balances and then unassigned balances. On an annual basis assigned fund balances are determined based upon available resources.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Comparative Data**

Comparative data shown as supplementary information for the prior year has been extracted from the 2015-2016 financial statements. It has been provided to add comparability, but is not considered a full disclosure of transactions for 2015-2016. Such information can only be obtained by referring to the audit report for that year.

**Subsequent Events**

Subsequent events have been evaluated through October 13, 2017, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - COMPLIANCE WITH NEVADA REVISED STATUTES (NRS) AND THE NEVADA ADMINISTRATIVE CODE**

The Authority conformed to all significant statutory constraints on its financial administration.

**NOTE 3 - CASH**

By provision of statutes, the Authority is authorized to deposit all money in banks or savings and loan associations located in the State of Nevada and must be subject to withdrawal on demand. The Authority maintains its checking and savings accounts in one commercial bank. The accounts are each insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 or collateralized under the state collateral pool by the applicable banking institution.

**AIRPORT AUTHORITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

**NOTE 4 - DUE FROM AND TO OTHER GOVERNMENT**

At June 30, 2017, the Authority is owed \$215,170 for an intergovernmental receivable from the city of Carson City, Nevada, for personal property taxes and \$222,203 for funds receivable for grant expenditures incurred. At June 30, 2017, the Authority did not have an intergovernmental FAA grant revenue receivable or an intergovernmental payable to the city of Carson City, Nevada.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity consists of the following for the years ended June 30:

	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>2017</u>
<b>Capital assets, not being depreciated</b>				
Land	\$ 146,542	\$ -	\$ -	\$ 146,542
<b>Capital assets, being depreciated</b>				
Machinery and equipment	705,815	-	-	705,815
<b>Less: accumulated depreciation</b>				
Machinery and equipment	<u>(614,272)</u>	<u>(21,772)</u>	<u>-</u>	<u>(636,044)</u>
Total capital assets being depreciated, net	<u>91,543</u>	<u>(21,772)</u>	<u>-</u>	<u>69,771</u>
<b>Net capital assets</b>	<u>\$ 238,085</u>	<u>\$ (21,772)</u>	<u>\$ -</u>	<u>\$ 216,313</u>

**NOTE 6 - ADVANCE PAYMENTS ON LEASES**

Advance payments on leases at June 30, 2017, totaling \$14,856, will be recognized in the subsequent year.

**NOTE 7 - GRANT REVENUE ASSISTANCE TRANSFERRED FROM THE CITY OF CARSON CITY, NEVADA**

The Authority requested and was approved to receive a total of \$2,573,438 in federal grant money from the FAA, grant number AIP 3-32-0004-030-2016, for the purpose of rehabilitation of the north apron reconstruction and reimbursement of previously expended funds in connection with the AGIS survey that were incurred in 2013. As of June 30, 2017, the Authority expended \$2,386,190 of the grant and \$159,079 of Authority funds for grant matching, for a total of \$2,545,269 expended on the project. The project is expected to be completed in September 2017.

Grant costs incurred/reported are as follows for grant number AIP 3-32-0004-030-2016:

	<u>Current and Cumulative Project Totals</u>
Construction and improvement projects	\$ 2,276,649
Engineering and inspection fees	193,717
AGIS survey	<u>74,903</u>
Net cumulative costs	<u>\$ 2,545,269</u>
Federal Share	<u>\$ 2,386,190</u>
Authority Share	<u>\$ 159,079</u>

**AIRPORT AUTHORITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

**NOTE 8 - LONG-TERM LEASE TRANSACTIONS**

The Authority entered into an airport lease agreement, dated October 10, 1994, with Contri Construction Company (Contri). The lease was subsequently assigned to Mayes. Mayes leases the property for 50 years in return for improving the flood control ditch; furnishing and providing the utility infrastructure by installing power, gas and telephone lines; providing trenching and a six inch water line; and furnishing and installing six inch PVC sewer and manholes. These improvements were made to assets belonging to Carson City, Nevada, and are not reflected in the capital assets of the Authority. The unamortized balance is reflected as a prepaid expense in the accompanying government-wide financial statements. The value of the work was determined to be \$312,000 or \$6,240 a year for 50 years. This lease transaction is a noncash transaction, which is amortized, in the accompanying financial statements at \$6,240 a year with a balance of \$170,213 at June 30, 2017.

On September 1, 2005, the Authority entered into a lease agreement with KCXP Investments LLC in which the lessee prepaid a 50 year lease in the amount of \$362,890. The lease will be amortized at a rate of \$7,258 per year over the 50 years. At June 30, 2017, the balance of the prepaid lease reflected as a long-term lease transaction in the accompanying financial statements totaled \$277,008.

On October 19, 2006, the Authority entered into an amended lease agreement with Cubix in which the lessee prepaid a 15 year lease in the amount of \$100,679. The lease will be amortized at a rate of \$9,330 for the first five years, \$40,600 for the second five years, and \$50,749 for the last five years. At June 30, 2017, the balance of the prepaid lease reflected as a long-term lease transaction in the accompanying financial statements totaled \$49,374.

On January 26, 2017, the Authority entered into an amended lease agreement with John Mayes, who assumed the Contri lease discussed above, in which the lessee prepaid \$27,424 which represented an increase in the above lease for a 28 year period. The lease will be amortized at a rate of \$979 per year. At June 30, 2017, the balance of the prepaid lease reflected as a long-term lease transaction in the accompanying financial statements totaled \$26,935.

In addition, the Authority is a party to several long-term leases that are not reflected above that will earn revenue into future periods. Following is a schedule of the minimum future rentals on all of the leases:

Year	Amount
2018	\$ 171,333
2019	171,333
2020	171,333
2021	171,333
2022	171,333

**NOTE 9 - PENSIONS**

**GENERAL INFORMATION ABOUT THE PENSION PLAN**

**Plan Description**

PERS (PERS or System) administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

**Benefits Provided**

- a) Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

**AIRPORT AUTHORITY OF CARSON CITY**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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**NOTE 9 - PENSIONS** (Continued)

- b) Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.
- c) Post-retirement increases are provided by authority of NRS 286.575 – 286.579.

**Vesting**

- a) Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with ten years of service, or any age with thirty years of service.
- b) The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

**Contributions**

- a) The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983 have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions and the other plan provides for employer-pay only.
- b) The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.
- c) The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.
- d) The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.
- e) For the fiscal years ended June 30, 2015, 2016, and 2017, the Statutory Employer/employee matching rate was 13.25%, 14.5% and 14.5%, respectively, for regular members. The Employer-pay contribution (EPC) rate was 25.75%, 28% and 28%, respectively, for regular members.

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2017, the Authority reported a liability of \$231,620 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2016. At June 30, 2016, the Authority's proportion was .00172%.

**AIRPORT AUTHORITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

**NOTE 9 - PENSIONS (Continued)**

For the year ended June 30, 2017, the Authority recognized pension expense of \$19,670. Amounts totaling \$14,690 resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. At June 30, 2017, the Authority had a payables of \$2,319 due to the System related to contractually required contributions for June 2017 that were included in accrued expenses in the accompanying financial statements.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 15,510
Net difference between projected and actual investment earnings on pension plan investments	21,532	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	46,878
Contributions subsequent to the measurement date	14,690	-
	\$ 36,222	\$ 62,388

Amounts reported as deferred outflows of resources and deferred inflows of resources, without regard to the contributions subsequent to the measurement date, related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2018	\$	12,417
2019		12,416
2020		1,734
2021		5,971
2022		6,918
2023		1,400
	\$	40,856

The net difference between projected and actual investment earnings on pension plan investments will be recognized over five years, all the other above deferred outflow and deferred inflows will be recognized over the average expected remaining services lives, which was 6.70 years for the measurement period ending June 30, 2016.

Reconciliation of the net pension liability at June 30, 2017 is as follows:

Beginning net pension liability	\$	199,322
Pension expense		19,670
Employer contributions		(14,690)
Current year net deferred (inflows) and outflows		27,318
Ending net pension liability	\$	231,620

**Actuarial Assumptions**

The System's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**AIRPORT AUTHORITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

**NOTE 9 - PENSIONS (Continued)**

Inflation rate	3.50%
Payroll growth	5.00%, including inflation
Investment rate of return	8.00%
Productivity pay increase	0.75%
Projected salary increases	Regular: 4.60% to 9.75%, depending on service Rates include inflation and productivity increases
Consumer price index	3.50%
Other assumptions	Same as those used in the June 30, 2016 funding Actuarial valuation

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of the experience review completed in 2013. The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2016, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

**Investment Policy**

The System's policies which determine the investment portfolio target asset allocation are established by the Retirement Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the Retirement Board's adopted policy target asset allocation as of June 30, 2016:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return *
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

\*As of June 30, 2016, PERS' long-term inflation assumption was 3.5%.

**Discount Rate and Pension Liability Discount Rate Sensitivity**

The following presents the net pension liability of the PERS as of June 30, 2016, calculated using the discount rate of 8.00%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7.00%) or 1 percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	\$ 339,279	\$ 231,620	\$ 141,761

**Pension Plan Fiduciary Net Position**

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PERS website at [www.nvpers.org](http://www.nvpers.org) under Quick Links – Publications.



**AIRPORT AUTHORITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2017

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**NOTE 10 - COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT**

The Authority has entered into agreements to complete the AIP construction project with remaining costs of approximately \$120,000, with expected completion in September 2017.

There were no other claims pending or unresolved disputes involving the Authority at June 30, 2017.

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

**NOTE 11 - RELATED PARTY TRANSACTIONS**

The Authority leases certain property to various individuals or related businesses that are members or relatives of the Board of Trustees. All such transactions are considered to be arms-length transactions.

**NOTE 12 - CONVERSION TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Adjustments on the face of the financial statements were made to the fund balance sheet and statement of revenue, expenditures, and changes in fund balance in order to reconcile the fund financial statements to the government-wide statements of net position and activities. These adjustments detail the effect of the capitalization of fixed assets of \$852,357, accumulated depreciation of \$636,044, depreciation expense of \$21,772, changes in accrued compensated absences of \$4,443, the recognition of a non-cash lease transaction for \$170,213 in prepaid airport construction as disclosed in Note 8 to the financial statements and net deferred inflows and outflows of resources due to the pension requirements of \$26,166 and the net pension liability of \$231,620.

**REQUIRED SUPPLEMENTARY INFORMATION**

**AIRPORT AUTHORITY OF CARSON CITY**  
**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016)

	2017			Variance to Final Budget	2016
	Budgeted Amounts		Actual		Actual
	Original	Final			(Memorandum Only)
<b>REVENUE</b>					
Local government shared revenue					
Property tax					
Aircraft	\$ 91,463	\$ 91,463	\$ 98,030	\$ 6,567	\$ 98,786
Buildings	103,537	103,537	110,971	7,434	110,093
FAA grant revenue	<u>2,573,438</u>	<u>2,470,222</u>	<u>2,386,190</u>	<u>(84,032)</u>	<u>150,000</u>
Total local government shared revenue	2,768,438	2,665,222	2,595,191	(70,031)	358,879
Miscellaneous					
Leases - annual	201,240	203,240	205,436	2,196	226,125
Contributions	-	109,098	109,098	-	-
Interest earnings	300	300	803	503	554
Tie-downs	-	1,000	2,106	1,106	3,686
Fuel flowage fees	14,000	13,987	13,411	(576)	15,882
Jet fuel tax	1,500	2,262	2,068	(194)	2,281
Through the fence fees	-	-	6,881	6,881	7,276
Miscellaneous	4,740	5,721	532	(5,189)	7,107
Gate cards	5,000	4,678	6,084	1,406	6,760
Class II FBO fees	4,800	6,600	6,600	-	5,500
Rock sales	<u>35,000</u>	<u>53,539</u>	<u>81,873</u>	<u>28,334</u>	<u>63,315</u>
Total miscellaneous revenue	<u>266,580</u>	<u>400,425</u>	<u>434,892</u>	<u>34,467</u>	<u>338,486</u>
Total revenue	3,035,018	3,065,647	3,030,083	(35,564)	697,365
<b>EXPENDITURES</b>					
Current					
Airport service and supplies					
Repairs and maintenance	28,000	27,000	24,866	2,134	23,558
Web site and AWOS	7,900	4,900	15,304	(10,404)	6,722
Utilities and telephone	29,550	25,200	21,206	3,994	25,013
Contractual services	4,100	4,128	4,583	(455)	9,319
Insurance	7,500	5,500	5,155	345	5,197
Operating supplies	6,500	7,000	9,120	(2,120)	6,722
Miscellaneous	9,400	9,383	3,804	5,579	5,145
Audit services	15,000	15,000	15,000	-	15,000
Legal	70,000	85,000	87,607	(2,607)	83,052
Other professional	<u>12,350</u>	<u>9,000</u>	<u>7,220</u>	<u>1,780</u>	<u>11,961</u>
Total airport service and supplies	190,300	192,111	193,865	(1,754)	191,689

See accompanying notes

**AIRPORT AUTHORITY OF CARSON CITY**  
**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016)**

	2017			Variance to Final Budget	2016
	Budgeted Amounts		Actual		Actual
	Original	Final			(Memorandum Only)
<b>EXPENDITURES (Continued)</b>					
Current					
Airport administration					
Salaries and wages	\$ 102,000	\$ 102,000	\$ 105,947	\$ (3,947)	\$ 102,000
Employee benefits	53,200	52,157	50,239	1,918	50,436
Total airport operations	345,500	346,268	350,051	(3,783)	344,125
Capital outlay and engineering					
FAA grant project					
Apron reconstruction	2,745,000	2,560,000	2,470,367	89,633	160,000
Master plan update	-	4,000	4,000	-	-
Other engineering	10,000	10,000	7,102	2,898	6,674
Terminal building	-	103,001	103,001	-	-
Total capital outlay and engineering	2,755,000	2,677,001	2,584,470	92,531	166,674
Debt service					
Lease transaction	6,240	6,240	6,240	-	6,240
Total expenditures	3,106,740	3,029,509	2,940,761	88,748	517,039
Excess (deficiency) of revenue over (under) expenditures	(71,722)	36,138	89,322	53,184	180,326
<b>FUND BALANCE, July 1</b>	384,635	438,166	438,166	-	257,840
<b>FUND BALANCE, June 30</b>	\$ 312,913	\$ 474,304	\$ 527,488	\$ 53,184	\$ 438,166

See accompanying notes

**AIRPORT AUTHORITY OF CARSON CITY**  
**SUPPLEMENTARY PENSION INFORMATION**  
**LAST TEN FISCAL YEARS**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.00172%	0.00174%	0.00195%
Proportionate share of the net pension liability (asset)	\$ 231,620	\$ 199,322	\$ 203,442
Covered-employee payroll	\$ 101,312	\$ 101,312	\$ 101,312
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	228.62%	196.74%	200.81%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	75.10%	76.30%

**SCHEDULE OF CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 14,690	\$ 14,690	\$ 14,206
Contributions in relation to the contractually required contribution	<u>(14,690)</u>	<u>(14,690)</u>	<u>(14,206)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 101,312	\$ 101,312	\$ 101,312
Contributions as a percentage of covered-employee payroll	14.50%	14.50%	13.25%

Note: Only three years of information is available due to the reporting changes with GASB 68 for fiscal year 2015.

See accompanying notes

**AIRPORT AUTHORITY OF CARSON CITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>United States Department of Transportation</b> Federal Aviation Administration Passed through Carson City, Nevada Airport Improvement Program North Apron Design	20.106	3-32-0004-30-2016	\$ <u>2,386,190</u>	<u>\$ -</u>

See accompanying notes to this schedule

**AIRPORT AUTHORITY OF CARSON CITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Airport Authority of Carson City (Authority) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Federal expenditures during the year ended June 30, 2017 reflect \$70,222 relating to an AGIS survey that were incurred in 2013 but were approved as a pre-award cost in connection with the current year grant award.

**NOTE 3– INDIRECT COST RATE**

The Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**



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

To the Board of Trustees of  
Airport Authority of Carson City

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Airport Authority of Carson City (Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 13, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements are free from 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.

*Kohn & Company LLP*

Reno, Nevada  
October 13, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Airport Authority of Carson City

**Report on Compliance for Each Major Federal Program**

We have audited the Airport Authority of Carson City's (Authority), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Airport Authority of Carson City's major federal programs for the year ended June 30, 2017. The Airport Authority of Carson City's major federal programs are identified in the summary of auditors' 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 Airport Authority of Carson City'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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Airport Authority of Carson City'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 Airport Authority of Carson City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Airport Authority of Carson City, 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 June 30, 2017.

**Report on Internal Control Over Compliance**

Management of the Airport Authority of Carson City 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 Airport Authority of Carson City'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 the Uniform Guidance, 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 Airport Authority of Carson City'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Kohn & Company*

Reno, Nevada  
October 13, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH FAA'S POLICY  
REGARDING THE USE OF AIRPORT REVENUE AND 49 U.S.C. SECTION 47107(b)**

To the Board of Trustees of  
Airport Authority of Carson City

We have audited the compliance of the Airport Authority of Carson City with the FAA policy regarding the use of airport revenue and 49 U.S.C. Section 47107(b) as of and for the year ended June 30, 2017. Compliance with the requirements of the FAA and 49 U.S.C. Section 47107(b) is the responsibility of the Airport Authority of Carson City's management. Our responsibility is to express an opinion on the Airport Authority of Carson City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America. Those standards 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 the financial statements occurred. An audit includes examining, on a test basis, evidence about the Airport Authority of Carson City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport Authority of Carson City's compliance with those requirements.

In our opinion, the Airport Authority of Carson City, complied, in all material respects, with the requirements referred to above as of and for the year ended June 30, 2017.

This report is intended solely for the information and use of the Board of Trustees, management, Carson City, Nevada, others within the Authority, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Kohn & Company*

Reno, Nevada  
October 13, 2017

**REPORT ON COMPLIANCE WITH  
NEVADA REVISED STATUTES BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS**

To the Board of Trustees of  
Airport Authority of Carson City

We have audited the financial statements of the governmental activities and major fund of the Airport Authority of Carson City as of and for the year ended June 30, 2017, and have issued our report thereon dated October 13, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance with Nevada Revised Statutes (NRS) and regulations applicable to the Airport Authority of Carson City is the responsibility of management. As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of NRS and the Nevada Administrative Code, 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.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority had not complied in all material respects with NRS 354, including:

- (a) Use of funds established
- (b) Use of generally accepted accounting principles
- (c) Limitations on reserves
- (d) Recording sources of revenue and transfers available
- (e) Statutory and regulatory requirements applicable to the fund
- (f) Ending retained earnings amounts

This report is intended solely for the information and use of the Board of Trustees, management, Carson City, Nevada, others within the Authority, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Kohn & Company LLP*

Reno, Nevada  
October 13, 2017

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**AIRPORT AUTHORITY OF CARSON CITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes   X  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_yes   X  no

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 that are not considered to be material weaknesses? \_\_\_yes   X  no

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Circular \_\_\_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: \$750,000

Auditee Qualified As Low-Risk Auditee? \_\_\_yes   X  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN**



**AIRPORT AUTHORITY OF CARSON CITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**Prior Audit Findings**

There were no prior year audit findings as there was no single audit requirement in the prior year.

**Corrective Action Plan**

A corrective action plan is not necessary as there are no current year audit findings.

**AUDITORS' COMMENTS**

**AUDITORS' COMMENTS**

**STATUTE COMPLIANCE**

The required disclosure on compliance with the Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

**PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE**

Not applicable.

**PROGRESS ON PRIOR YEAR RECOMMENDATIONS**

Not applicable.

**CURRENT YEAR RECOMMENDATIONS**

Not applicable.