

October 17, 2018

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, 2018. 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.

In addition, please notify the FAA that the audit 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 12, 2018

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, 2018. 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 April 30, 2018. 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. The Authority implemented GASB 75 relating to OPEB in which it was determined that no liability existed. In addition, GASB 82 relating to PERS pension liability was also implemented resulting in a prior period adjustment of \$24,389. 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.

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 and OPEB 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 expected 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 12, 2018.

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 required 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.

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**

FINANCIAL STATEMENTS

JUNE 30, 2018

AIRPORT AUTHORITY OF CARSON CITY
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JUNE 30, 2018

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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, 2018, 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, 2018, 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, 22-23, and 24, 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 Reporting Required by *Government Auditing Standards* and Other Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, 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.

In accordance with the Federal Aviation Authority's (FAA) policy, we have also issued our report dated October 12, 2018, on our consideration of the Airport Authority of Carson City's compliance with the FAA's policy regarding the use of airport revenue and 49 U.S.C. Section 47107(b). The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Kline & Company

Reno, Nevada
October 12, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

AIRPORT AUTHORITY OF CARSON CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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 4% from the previous year and exceeded budget by 11%. Operational revenue comes from three primary sources: (a) property leases (40%); (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 (40%) and (c) other operational activities such as tie down fees, rock sales, fuel flowage fees, and interest on cash in the bank (20%).

Operational expenditures of \$345,359 were 8% under the budgeted figure of \$355,979 and \$33,143 lower than the previous year primarily due to lower expenses for salaries and benefits offset by higher contractual costs.

Operational activities provided revenue of \$620,092, which is 11% above the budgeted figure of \$557,704.

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, 2018, the Authority expended \$2,417,034 of the grant and \$157,504 of Authority funds for grant matching, for a total of \$2,574,538 expended on the project. The project was completed during the current year ended June 30, 2018.

The Authority requested and was approved to receive a total of \$470,000 in federal grant money from the FAA, grant number AIP 3-32-0004-031-2017, for the purpose of updating the airport master plan study and aeronautical survey. As of June 30, 2018, the Authority expended \$187,343 of the grant and \$12,489 of Authority funds for grant matching, for a total of \$199,832 expended on the project. The project is expected to be completed in September 2018.

The Authority requested to receive a total of \$409,800 in federal grant money from the FAA, grant number AIP 3-32-0004-032-2018, for the purpose of purchasing design services for the taxiway A and D. As of June 30, 2018, the Authority expended \$25,139 of the grant and \$1,676 of Authority funds for grant matching, for a total of \$26,815 expended on the project. The project is expected to be completed in June 2019.

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. A 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, 2018

Condensed Statements of Net Position				Condensed Statements of Activities			
		2017				2017	
		2018	(As restated)			2018	(As restated)
Cash	\$	876,674	\$ 697,829	Expenses			
Receivables		293,164	473,007	Airport operations	\$	345,359	\$ 354,113
Capital assets, net		217,369	216,313	Airport construction,			
Prepaid expenses		-	4,567	planning projects,			
Prepaid airport				and capital outlay		262,263	2,584,470
improvements		163,973	170,213			607,622	2,938,583
Deferred outflow s				Revenue			
of resources		25,042	35,092	Charges for services		375,041	434,089
		1,576,222	1,597,021	Grants		258,553	2,386,190
Accounts payable				Investment income		994	803
and accrued expenses		27,358	280,347	Property taxes		245,051	209,001
Advance payments						879,639	3,030,083
on leases		512,934	538,386	Change in net position	\$	272,017	\$ 91,500
Net pension liability		200,922	231,620				
Deferred outflow s							
of resources		53,192	36,869				
		794,406	1,087,222				
Net position	\$	781,816	\$ 509,799				

The Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (pages 22 and 23) 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 less grant revenue than originally expected to be budgeted.

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 Airport Authority will continue to implement the 2001 Master Plan over the next several months with the following Airport Capital Improvement Program (ACIP) projects: Replace Automatic Gates, Perimeter Fences and Overlay Perimeter Road. A new Master Plan is under development and should be completed and adopted by the Authority in early 2019 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. The Airport Authority is seeking additional economic development activities to maximize the Airport Authority's self-sufficiency.

BASIC FINANCIAL STATEMENTS

AIRPORT AUTHORITY OF CARSON CITY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2018

	General Fund	Adjustments (Note 13)	Statement of Net Position
ASSETS			
Cash	\$ 876,674	\$ -	\$ 876,674
Accounts receivable	3,238	-	3,238
Due from other government	289,926	-	289,926
Capital assets, net of accumulated depreciation	-	217,369	217,369
Prepaid airport improvements	-	163,973	163,973
Total assets	<u>1,169,838</u>	<u>381,342</u>	<u>1,551,180</u>
DEFERRED OUTFLOWS OF RESOURCES - PENSION REQUIREMENT			
Total assets and deferred outflows of resources	<u>-</u>	<u>25,042</u>	<u>25,042</u>
	<u>\$ 1,169,838</u>	<u>406,384</u>	<u>1,576,222</u>
LIABILITIES			
Accounts payable	\$ 14,682	-	14,682
Accounts payable - construction projection	6,900	-	6,900
Accrued expenses	516	5,260	5,776
Advance payments on leases	11,901	-	11,901
Long-term lease transactions	337,060	163,973	501,033
Net pension liability	-	200,922	200,922
Total liabilities	<u>371,059</u>	<u>370,155</u>	<u>741,214</u>
DEFERRED INFLOWS OF RESOURCES - PENSION REQUIREMENT			
Total liabilities and deferred inflows of resources	<u>-</u>	<u>53,192</u>	<u>53,192</u>
	<u>371,059</u>	<u>423,347</u>	<u>794,406</u>
FUND BALANCE / NET POSITION			
Fund balance			
Committed			
Gate fees	21,976	(21,976)	-
Assigned			
Designated for subsequent year's expenditures	776,803	(776,803)	-
Total fund balance	<u>798,779</u>	<u>(798,779)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,169,838</u>		
Net Position			
Invested in capital assets, net of related debt		217,369	217,369
Unrestricted		564,447	564,447
Total net position		<u>\$ 781,816</u>	<u>\$ 781,816</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, 2018

	General Fund	Adjustments (Note 13)	Statement of Activities
EXPENDITURES/EXPENSES			
Airport Authority operations	\$ 333,486	\$ 11,873	\$ 345,359
Airport construction, planning projects and capital outlay	<u>274,862</u>	<u>(12,599)</u>	<u>262,263</u>
Total expenditures/expenses	<u>608,348</u>	<u>(726)</u>	<u>607,622</u>
PROGRAM REVENUE			
Charges for services	375,041	-	375,041
Nevada Department of Transportation	15,227	-	15,227
Federal grants	<u>243,326</u>	<u>-</u>	<u>243,326</u>
Total program revenue	<u>633,594</u>	<u>-</u>	<u>633,594</u>
Net program revenue	25,246	726	25,972
GENERAL REVENUE			
Investment income	994	-	994
Property taxes	<u>245,051</u>	<u>-</u>	<u>245,051</u>
Total general revenue	<u>246,045</u>	<u>-</u>	<u>246,045</u>
Excess of revenue over expenditures	271,291	(271,291)	-
Change in net position	-	272,017	272,017
FUND BALANCE / NET POSITION			
Beginning of year, as previously reported	<u>527,488</u>	<u>(42,078)</u>	<u>485,410</u>
Prior period adjustment - change in accounting principle			
Deferred outflows of resources	-	(1,130)	(1,130)
Deferred inflows of resources	<u>-</u>	<u>25,519</u>	<u>25,519</u>
	<u>-</u>	<u>24,389</u>	<u>24,389</u>
Beginning of year, as restated	<u>527,488</u>	<u>(17,689)</u>	<u>509,799</u>
End of year	<u>\$ 798,779</u>	<u>\$ (16,963)</u>	<u>\$ 781,816</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

AIRPORT AUTHORITY OF CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018, 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, 2018

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, 2018

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 2016-2017 financial statements. It has been provided to add comparability, but is not considered a full disclosure of transactions for 2016-2017. Such information can only be obtained by referring to the audit report for that year.

Subsequent Events

Subsequent events have been evaluated through October 12, 2018, 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, 2018

NOTE 4 - DUE FROM AND TO OTHER GOVERNMENT

At June 30, 2018, the Authority is owed \$251,381 for an intergovernmental receivable from the city of Carson City, Nevada, for personal property taxes and \$33,545 for funds receivable for grant expenditures incurred. At June 30, 2018, 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>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
Capital assets, not being depreciated				
Land	\$ 146,542	\$ -	\$ -	\$ 146,542
Capital assets, being depreciated				
Machinery and equipment	705,815	12,599	-	718,414
Less: accumulated depreciation				
Machinery and equipment	<u>(636,044)</u>	<u>(11,543)</u>	<u>-</u>	<u>(647,587)</u>
Total capital assets being depreciated, net	<u>69,771</u>	<u>1,056</u>	<u>-</u>	<u>70,827</u>
Net capital assets	<u>\$ 216,313</u>	<u>\$ 1,056</u>	<u>\$ -</u>	<u>\$ 217,369</u>

NOTE 6 - ADVANCE PAYMENTS ON LEASES

Advance payments on leases at June 30, 2018, totaling \$11,901, 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, 2018, the Authority expended \$2,417,034 of the grant and \$157,504 of Authority funds for grant matching, for a total of \$2,574,538 expended on the project. The project was completed during the current year ended June 30, 2018.

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	\$ 2,277,922
Engineering and inspection fees	216,713
AGIS survey	74,903
Administration expense	5,000
Net cumulative costs	<u>\$ 2,574,538</u>
Federal Share	<u>\$ 2,417,034</u>
Authority Share	<u>\$ 157,504</u>

AIRPORT AUTHORITY OF CARSON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 7 - GRANT REVENUE ASSISTANCE TRANSFERRED FROM THE CITY OF CARSON CITY, NEVADA
(Continued)

The Authority requested and was approved to receive a total of \$470,000 in federal grant money from the FAA, grant number AIP 3-32-0004-031-2017, for the purpose of updating the airport master plan study and aeronautical survey. As of June 30, 2018, the Authority expended \$187,343 of the grant and \$12,489 of Authority funds for grant matching, for a total of \$199,832 expended on the project. The project is expected to be completed in September 2018.

Grant costs incurred/reported are as follows for grant number AIP 3-32-0004-031-2017:

	<u>Current and Cumulative Project Totals</u>
Engineering and inspection fees	\$ <u>199,832</u>
Federal Share	\$ <u>187,343</u>
Authority Share	\$ <u>12,489</u>

The Authority requested to receive a total of \$409,800 in federal grant money from the FAA, grant number AIP 3-32-0004-032-2018, for the purpose of purchasing design services for the taxiway A and D. As of June 30, 2018, the Authority expended \$25,139 of the grant and \$1,676 of Authority funds for grant matching, for a total of \$26,815 expended on the project. The project is expected to be completed in June 2019.

Grant costs incurred/reported are as follows for grant number AIP 3-32-0004-032-2018:

	<u>Current and Cumulative Project Totals</u>
Engineering and inspection fees	\$ <u>26,815</u>
Federal Share	\$ <u>25,139</u>
Authority Share	\$ <u>1,676</u>

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 \$163,973 at June 30, 2018.

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, 2018, the balance of the prepaid lease reflected as a long-term lease transaction in the accompanying financial statements totaled \$269,750.

AIRPORT AUTHORITY OF CARSON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 8 - LONG-TERM LEASE TRANSACTIONS (Continued)

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, 2018, the balance of the prepaid lease reflected as a long-term lease transaction in the accompanying financial statements totaled \$41,354.

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, 2018, the balance of the prepaid lease reflected as a long-term lease transaction in the accompanying financial statements totaled \$25,956.

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
2019	\$ 200,827
2020	200,827
2021	200,827
2022	225,834
2023	234,169

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 and for members entering the System on or after July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.
- 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% service time factor and for regular members entering the System on or after July 1, 2015, there is a 2.25% 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.

AIRPORT AUTHORITY OF CARSON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 9 - PENSIONS (Continued)

Vesting

- a) Regular members entering the System prior to January 1, 2010 are eligible for retirement at age 65 with five years of service, at age 60 with 10 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 10 years of service, or any age with thirty years of service. Regular members who entered the System on or after July 1, 2015 are eligible for retirement at age 65 with 5 years of service, or at age 62 with 20 years of service or at age 55 with 30 years of service or at any age with 33 1/3 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. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.
- 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, 2017, and 2018, respectively, the Statutory Employer/employee matching rate was 13.25%, 14.50%, 14.50%, and 14.50% for Regular employees.

The Employer-pay contribution (EPC) rate was 25.75%, 28.00%, 28.00% and 28.00%, respectively, for June 30, 2015, 2016, 2017, and 2018 years for Regular employees.

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

At June 30, 2018, the Authority reported a liability of \$200,922 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017. At June 30, 2017, the Authority's proportion was .00172%.

For the year ended June 30, 2018, the Authority recognized pension expense of \$8,970. Amounts totaling \$10,409 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, 2019. At June 30, 2018, the Authority had a payable of \$7,968 due to the System related to contractually required contributions for the year ended June 30, 2018 that were included in accounts payable in the accompanying financial statements.

AIRPORT AUTHORITY OF CARSON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 9 - PENSIONS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,185
Changes of assumptions	13,329	-
Net difference between projected and actual investment earnings on pension plan investments	1,304	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	40,007
Contributions subsequent to the measurement date	10,409	-
	\$ 25,042	\$ 53,192

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	
2019	\$ (14,735)
2020	(4,053)
2021	(8,290)
2022	(9,239)
2023	(1,362)
2024	(880)
	\$ (38,559)

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 6.39 years for the measurement period ending June 30, 2017.

Reconciliation of the net pension liability at June 30, 2018 is as follows:

Beginning net pension liability	\$ 231,620
Pension expense	6,083
Employer contributions	(13,559)
Current year net deferred (inflows) and outflows	(23,222)
Ending net pension liability	\$ 200,922

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2017, 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:

Inflation rate	2.75% (3.50% for the June 30, 2016 valuation date)
Payroll growth	5.00%, including inflation
Investment rate of return	7.50% (8.00% for the June 30, 2016 valuation date)
Productivity pay increase	0.50% (0.75% for the June 30, 2016 valuation date)
Projected salary increases	Regular: 4.25% to 9.15%, depending on service (4.60% to 9.75% for the June 30, 2016 valuation date) Rates include inflation and productivity increases
Consumer price index	2.75% (3.50% for the June 30, 2016 valuation date)
Other assumptions	Same as those used in the June 30, 2017 funding Actuarial valuation

AIRPORT AUTHORITY OF CARSON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 9 - PENSIONS (Continued)

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of the experience review completed in 2017.

The discount rate used to measure the total pension liability was 7.50% and 8.00%, respectively, as of June 30, 2017 and 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, 2017, 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, 2017 and 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, 2017:

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, 2017, PERS' long-term inflation assumption was 2.75%.

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2017, calculated using the discount rate of 7.5%, 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 (6.5%) or 1 percentage-point higher (8.5%) than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net Pension Liability	\$ 303,595	\$ 200,922	\$ 115,477

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 under Quick Links – Publications.

NOTE 10 - COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT

The Authority has entered into agreements to complete AIP construction projects with remaining costs of approximately \$240,000, with expected completion in the next fiscal year.

There were no other claims pending or unresolved disputes involving the Authority at June 30, 2018.

AIRPORT AUTHORITY OF CARSON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 10 - COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT (Continued)

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 - NEW ACCOUNTING PRONOUNCEMENTS AND PRIOR PERIOD ADJUSTMENT

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for periods beginning after June 15, 2016, or June 15, 2017 when an employer's pension liability is measured on a date other than the employer's most recent fiscal year-end. The objective of this statement is to address certain issues that have been raised with respect to GASB Statements No. 67, No. 68, and No. 73 regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has implemented the statement during the year ended June 30, 2018.

As a result of the implementation of this statement, net position at June 30, 2017 has been adjusted for changes in the classification of plan member contributions and certain actuarial assumptions. The prior period adjustment and restatement represent a decrease in deferred outflows, a decrease in deferred inflows, and an offsetting increase to the governmental activities beginning net position in the amount of \$24,389 for the year ended June 30, 2017.

NOTE 13 - 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 \$864,956, accumulated depreciation of \$647,587, capital expenditures of \$12,599, depreciation expense of \$11,543, changes in accrued compensated absences of \$4,655, additional long-term leases of \$163,973, and net deferred inflows and outflows of resources due to the pension requirements of \$25,042 and \$53,192, respectively, and the net pension liability of \$200,922.

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, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017)

	2018			Variance to Final Budget	2017
	Budgeted Amounts		Actual		Actual
	Original	Final			(Memorandum Only)
REVENUE					
Local government shared revenue					
Property tax					
Aircraft	\$ 101,465	\$ 111,101	\$ 124,999	\$ 13,898	\$ 98,030
Buildings	97,450	106,704	120,052	13,348	110,971
Nevada Department of Transportation	-	-	15,227	15,227	-
FAA grant revenue	488,438	479,212	243,326	(235,886)	2,386,190
Total local government shared revenue	687,353	697,017	503,604	(193,413)	2,595,191
Miscellaneous					
Leases - annual	205,040	236,440	244,158	7,718	205,436
Contributions	-	-	14,307	14,307	109,098
Interest earnings	-	620	994	374	803
Tie-downs	1,000	4,554	5,332	778	2,106
Fuel flowage fees	14,000	14,000	12,153	(1,847)	13,411
Jet fuel tax	1,500	1,500	1,851	351	2,068
Through the fence fees	-	-	6,330	6,330	6,881
Miscellaneous	5,000	13,315	20,144	6,829	532
Gate cards	5,000	5,000	5,155	155	6,084
Class II FBO fees	4,800	4,800	4,600	(200)	6,600
Rock sales	35,000	59,670	61,011	1,341	81,873
Total miscellaneous revenue	271,340	339,899	376,035	36,136	434,892
Total revenue	958,693	1,036,916	879,639	(157,277)	3,030,083
EXPENDITURES					
Current					
Airport service and supplies					
Repairs and maintenance	29,000	24,000	15,390	8,610	24,866
Web site and AWOS	11,000	11,000	3,752	7,248	15,304
Utilities and telephone	29,550	22,000	18,915	3,085	21,206
Contractual services	11,100	51,100	48,276	2,824	4,583
Insurance	7,500	7,500	6,992	508	5,155
Operating supplies	6,500	6,500	7,231	(731)	9,120
Miscellaneous	11,450	8,233	7,130	1,103	3,804
Audit services	20,000	20,000	20,000	-	15,000
Legal	70,000	72,000	78,736	(6,736)	87,607
Other professional	5,000	5,000	10,943	(5,943)	7,220
Total airport service and supplies	201,100	227,333	217,365	9,968	193,865

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, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017)

	2018			Variance to Final Budget	2017
	Budgeted Amounts		Actual		Actual
	Original	Final			(Memorandum Only)
EXPENDITURES (Continued)					
Current					
Airport administration					
Salaries and wages	\$ 102,000	\$ 83,158	\$ 75,089	\$ 8,069	\$ 105,947
Employee benefits	56,900	45,488	34,792	10,696	50,239
Total airport operations	360,000	355,979	327,246	28,733	350,051
Capital outlay and engineering					
FAA grant project					
Apron reconstruction	257,000	286,764	29,270	257,494	2,470,367
Master plan update	223,000	180,000	200,162	(20,162)	4,000
Rehabilitation taxiways	41,000	28,000	26,815	1,185	-
Gate improvements	-	-	12,599	(12,599)	-
Other engineering	10,000	10,000	5,000	5,000	7,102
Terminal building	-	-	1,016	(1,016)	103,001
Total capital outlay and engineering	531,000	504,764	274,862	229,902	2,584,470
Debt service					
Lease transaction	6,240	6,240	6,240	-	6,240
Total expenditures	897,240	866,983	608,348	258,635	2,940,761
Excess of revenue over expenditures	61,453	169,933	271,291	101,358	89,322
FUND BALANCE, July 1	474,304	527,488	527,488	-	438,166
FUND BALANCE, June 30	\$ 535,757	\$ 697,421	\$ 798,779	\$ 101,358	\$ 527,488

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.00151%	0.00172%	0.00174%	0.00195%
Proportionate share of the net pension liability (asset)	\$ 200,922	\$ 231,620	\$ 199,322	\$ 203,442
Covered payroll	\$ 101,312	\$ 101,312	\$ 101,312	\$ 101,312
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	198.32%	228.62%	196.74%	200.81%
Plan fiduciary net position as a percentage of the total pension liability	74.40%	72.20%	75.10%	76.30%

SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 13,295	\$ 14,690	\$ 14,690	\$ 14,206
Contributions in relation to the contractually required contribution	(13,295)	(14,690)	(14,690)	(14,206)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 72,499	\$ 101,312	\$ 101,312	\$ 101,312
Contributions as a percentage of covered payroll	18.34%	14.50%	14.50%	14.50%

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

**REPORTS ON COMPLIANCE, INTERNAL CONTROL
AND AUDITORS' COMMENTS**

**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, 2018, 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 12, 2018.

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.

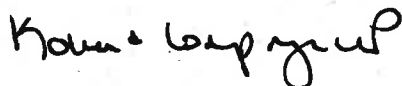
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Reno, Nevada
October 12, 2018

**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, 2018. 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 for the year ended June 30, 2018.

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 12, 2018



AUDITORS' COMMENTS

To the Board of Trustees of
Airport Authority of Carson City

In connection with our audit of the financial statements of the Airport Authority of Carson City as of and for the year ended June 30, 2018, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the Authority failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

CURRENT YEAR 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

The Authority monitored all significant constraints on its financial administration during the year ended June 30, 2018.

CURRENT YEAR RECOMMENDATIONS

No material weaknesses or significant deficiencies reported.

PROGRESS ON PRIOR YEAR RECOMMENDATIONS

No material weaknesses or significant deficiencies were noted.

NEVADA REVISED STATUTE 354.6241

In connection with our audit, nothing came to our attention that caused us to believe that the District had not complied in all material respects with NRS 354.6241, 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 earning amounts

Reno, Nevada
October 12, 2018