



Financial Statements
June 30, 2019

Airport Authority of Carson City

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Independent Auditor's Report

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

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, 2019, 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, 2019, 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 4-6, 23-24, and 25-26, 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.

Report on Prior Year Information

The Airport Authority of Carson City's June 30, 2018 financial statements were audited by Kohn & Company LLP, who joined Eide Bailly LLP on December 3, 2018, and whose report dated October 12, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the comparative information presented on page 23 for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards* and Other Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport Authority of Carson City's 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 November 12, 2019, 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed address and date.

Reno, Nevada
November 12, 2019

AIRPORT AUTHORITY OF CARSON CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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 0.14% from the previous year and exceeded budget by 11.8%. 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 (19%).

Operational expenditures of \$327,277 were 17.8% under the budgeted figure of \$398,250 and \$18,082 higher than the previous year primarily due to higher expenses for salaries and benefits offset by lower legal and contractual costs.

Operational activities provided revenue of \$619,235, which is 11.8% above the budgeted figure of \$553,860.

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, 2019, the Authority expended \$365,177 of the grant and \$24,345 of Authority funds for grant matching, for a total of \$389,522 expended on the project. The project is expected to be completed in September 2019.

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, 2019, the Authority expended \$142,828 of the grant and \$12,521 of Authority funds for grant matching, for a total of \$155,349 expended on the project. The project is expected to be completed by June 2020.

The Authority requested federal grant money from the FAA, grant number AIP 3-32-0004-033-2019, for the purpose of performing a study relating to the perimeter fencing. As of June 30, 2019, the Authority expended \$30,307 of the grant and \$2,021 of Authority funds for grant matching, for a total of \$32,328 expended on the project. The project has not yet been approved by the FAA and management expects approval with retroactive approval of expenses incurred to date. The project is expected to be completed by June 2020.

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:

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.

AIRPORT AUTHORITY OF CARSON CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Condensed Statements of Net Position				Condensed Statements of Activities			
		2019	2018			2019	2018
Cash and investments	\$	1,097,911	\$ 876,674	Expenses			
Receivables		345,702	293,164	Airport operations	\$	327,277	\$ 345,359
Capital assets, net		229,896	217,369	Airport construction, planning projects, and capital outlay			
Prepaid airport improvements		157,733	163,973			412,308	262,263
Total assets		1,831,242	1,551,180			739,585	607,622
Deferred outflows of resources		29,631	25,042	Revenue			
		1,860,873	1,576,222	Charges for services		362,583	375,041
Accounts payable and accrued expenses		122,768	27,358	Grants		325,831	258,553
Advance payments on leases		506,337	512,934	Investment income		15,958	994
Net pension liability		125,881	200,922	Property taxes		256,652	245,051
Total liabilities		754,986	741,214			961,024	879,639
Deferred outflows of resources		102,632	53,192	Change in net position	\$	221,439	\$ 272,017
		857,618	794,406				
Net position							
Invested in capital assets		229,896	217,369				
Unrestricted		773,359	564,447				
	\$	1,003,255	\$ 781,816				

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.

AIRPORT AUTHORITY OF CARSON CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

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.

Airport Authority of Carson City
Statement of Net Position and Governmental Fund Balance Sheet
June 30, 2019

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 1,097,911	\$ -	\$ 1,097,911
Accounts receivable	20,730	-	20,730
Accrued interest receivable	1,913	-	1,913
Due from other government	323,059	-	323,059
Capital assets, net of accumulated depreciation	-	229,896	229,896
Prepaid airport improvements	-	157,733	157,733
Total assets	1,443,613	387,629	1,831,242
Deferred Outflows of Resources			
Pension requirement	-	29,631	29,631
Total assets and deferred outflows of resources	<u>\$ 1,443,613</u>	<u>417,260</u>	<u>1,860,873</u>
Liabilities			
Accounts payable	\$ 30,271	-	30,271
Accounts payable - construction projection	85,155	-	85,155
Accrued expenses	-	7,342	7,342
Advance payments on leases	12,950	-	12,950
Long-term lease transactions	335,654	157,733	493,387
Net pension liability	-	125,881	125,881
Total liabilities	464,030	290,956	754,986
Deferred Inflows of Resources			
Unavailable revenue	30,307	(30,307)	-
Pension requirement	-	102,632	102,632
	<u>30,307</u>	<u>72,325</u>	<u>102,632</u>
Total liabilities and deferred inflows of resources	<u>494,337</u>	<u>393,588</u>	<u>857,618</u>
Fund Balance/Net Position			
Fund balance			
Committed			
Gate fees	7,557	(7,557)	-
Unassigned	941,719	(941,719)	-
Total fund balance	949,276	(949,276)	-
Total liabilities and fund balance	<u>\$ 1,443,613</u>		
Net Position			
Invested in capital assets		229,896	229,896
Unrestricted		773,359	773,359
Total net position		<u>\$ 1,003,255</u>	<u>\$ 1,003,255</u>

Airport Authority of Carson City

Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2019

	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Airport Authority operations	\$ 351,669	\$ (24,392)	\$ 327,277
Airport construction, planning projects and capital outlay	428,551	(16,243)	412,308
Total expenditures/expenses	780,220	(40,635)	739,585
Program Revenue			
Charges for services	362,583	-	362,583
Federal grants	295,524	30,307	325,831
Total program revenue	658,107	30,307	688,414
Net Program Revenue	(122,113)	70,942	(51,171)
General Revenue			
Investment income	15,958	-	15,958
Property taxes	256,652	-	256,652
Total general revenue	272,610	-	272,610
Excess of Revenue over Expenditures	150,497	(150,497)	-
Change in Net Position	-	221,439	221,439
Fund Balance/Net Position			
Beginning of year	798,779	(16,963)	781,816
End of year	\$ 949,276	\$ 53,979	\$ 1,003,255

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 Codification, Section 2100, *Defining the Reporting Entity*. 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, deferred inflow of resources, 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 Codification 2600, *Reporting Entity and Component Unit Presentation and Disclosure*. This classification allows for the preparation of financial statements under an optional reporting method which combines the fund and government-wide statements into a single presentation. Under standard 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.

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 deferred inflow of resources – unavailable revenue 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 and Investments

The Authority's cash and cash equivalents include cash on deposit at one commercial bank and in the State Treasurer's Local Government Investment Pool. State Pool investments are stated at cost since they are similar to money market mutual funds. The Authority does not currently have a deposit policy related to custodial credit risk.

Pooled investment funds consist of cash deposited in the interest-bearing State of Nevada's Local Government Investment Pool. Investments are recorded at fair value, which is the same as the value of the pool shares. The State of Nevada Local Government Investment Pool is an unrated external investment pool that does not provide information on realized or unrealized gain or loss activity. Accordingly, changes in the investment pool are reflected as net investment income in the accompanying financial statements.

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, 2019, 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 the City to the Authority, 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.

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 – 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.
- 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.

Subsequent Events

Subsequent events have been evaluated through November 12, 2019, 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.

The Authority's deposits are maintained in recognized pooled investment funds under the care of oversight agencies. The State of Nevada's Local Government Investment Pool is administered by the Office of the State Treasurer. In addition, the Local Government Investment Pool has an Investment Committee and is subject to annual audits. Because the Authority's deposits are maintained in recognized pooled investment funds under the care of a third party, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. The Authority's deposits in the pool are considered to be highly liquid. At June 30, 2019, \$928,575 was held in the Local Government Investment Pool.

Note 4 - Due from and to Other Government

At June 30, 2019, the Authority is owed \$263,248 for an intergovernmental receivable from the city of Carson City, Nevada, for personal property taxes and \$59,811 for funds receivable for FAA grant expenditures incurred.

Note 5 - Capital Assets

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

	2018	Additions	Deletions	2019
Capital assets, not being depreciated				
Land	\$ 146,542	\$ -	\$ -	\$ 146,542
Capital assets, being depreciated				
Machinery and equipment	718,414	16,243	-	734,657
Less accumulated depreciation				
Machinery and equipment	(647,587)	(3,716)	-	(651,303)
Total capital assets being depreciated, net	70,827	12,527	-	83,354
Capital Assets, Net	\$ 217,369	\$ 12,527	\$ -	\$ 229,896

Note 6 - Advance Payments on Leases

Advance payments on leases at June 30, 2019, totaling \$12,950, 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 \$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, 2019, the Authority expended \$365,177 of the grant and \$24,345 of Authority funds for grant matching, for a total of \$389,522 expended on the project. The project was completed during the current year ended June 30, 2019.

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

	Current and Cumulative Project Totals
Engineering and inspection fees	\$ 389,522
Federal Share	\$ 365,177
Authority Share	\$ 24,345

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, 2019, the Authority expended \$142,828 of the grant and \$12,521 of Authority funds for grant matching, for a total of \$155,349 expended on the project. The project is expected to be completed in September 2019.

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

	Current and Cumulative Project Totals
Engineering and inspection fees	\$ 155,349
Federal Share	\$ 142,828
Authority Share	\$ 12,521

The Authority requested federal grant money from the FAA, grant number AIP 3-33-0004-033-2019, for the purpose of performing a study relating to the perimeter fencing. As of June 30, 2019, the Authority expended \$30,307 of the grant and \$2,021 of Authority funds for grant matching, for a total of \$32,328 expended on the project. The project has not yet been approved by the FAA and management expects approval with retroactive approval of expenses incurred to date. The project is expected to be completed by June 2020.

Grant costs incurred/reported are as follows for grant number AIP 3-32-0004-033-2019:

	Current and Cumulative Project Totals
Engineering and inspection fees	\$ 32,328
Federal Share	\$ 30,307
Authority Share	\$ 2,021

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 \$157,533 at June 30, 2019.

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, 2019, the balance of the prepaid lease reflected as a long-term lease transaction in the accompanying financial statements totaled \$262,492.

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, 2019, the balance of the prepaid lease reflected as a long-term lease transaction in the accompanying financial statements totaled \$26,160.

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, 2019, the balance of the prepaid lease reflected as a long-term lease transaction in the accompanying financial statements totaled \$24,976.

On July 18, 2018, the Authority entered into a lot line adjustment on the above lease with John Mayes in which the lessee prepaid \$23,058. The lease will be amortized at the annual rate of \$907. At June 30, 2019, the balance of the prepaid lease reflected as a long-term lease transaction in the accompanying financial statements totaled \$22,226.

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:

<u>Years ending June 30</u>	<u>Amount</u>
2020	\$ 213,634
2021	213,634
2022	211,344
2023	203,483
2024	203,483

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

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.

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.

Post-retirement increases are provided by authority of NRS 286.575 – 286.579.

Vesting

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.

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

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.

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.

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.

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.

For the fiscal years ended June 30, 2017, 2018, and 2019, the Statutory Employer/employee matching rate was 14.50% each year for Regular employees.

The Employer-pay contribution (EPC) rate was 28.00% each year for June 30, 2017, 2018, and 2019 for Regular employees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Authority reported a liability of \$125,881 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018. At June 30, 2018, the Authority's proportion was .00092%.

For the year ended June 30, 2019, the Authority recognized pension expense of \$(12,979). Amounts totaling \$19,054 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, 2020. At June 30, 2019, the Authority had a payable of \$6,908 due to the System related to contractually required contributions for the year ended June 30, 2019 that were included in accounts payable in the accompanying financial statements.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,944	\$ 5,843
Changes of assumptions	6,633	-
Net difference between projected and actual earnings on pension plan investments	-	599
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	96,190
City contributions subsequent to the measurement date	19,054	-
	\$ 29,631	\$ 102,632

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:

Years Ending June 30,	Amount
2020	\$ (17,431)
2021	(21,668)
2022	(22,617)
2023	(14,739)
2024	(12,946)
2025	(2,654)
	\$ (92,055)

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 6.22 years for the measurement period ending June 30, 2018.

Reconciliation of the net pension liability at June 30, 2019 is as follows:

Beginning net pension liability	\$	200,922
Pension expense		(12,979)
Employer contributions		(8,566)
Current year net deferred inflows		<u>(53,496)</u>
 Ending net pension liability	 \$	 <u>125,881</u>

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2018, 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% (2.75% for the June 30, 2017 valuation date)
Payroll growth	5.00%, including inflation
Investment rate of return	7.50% (7.50% for the June 30, 2017 valuation date)
Productivity pay increase	0.50% (0.50% for the June 30, 2017 valuation date)
Projected salary increases	Regular: 4.25% to 9.15%, depending on service (4.25% to 9.15% for the June 30, 2017 valuation date) Rates include inflation and productivity increases
Consumer price index	2.75% (2.75% for the June 30, 2017 valuation date)
Other assumptions	Same as those used in the June 30, 2017 funding actuarial valuation

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of the experience review completed in 2019.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2018 and June 30, 2017. 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, 2018, 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, 2018 and June 30, 2017.

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, 2018:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return
Domestic Equity	42%	6.60%
International Equity	18%	7.37%
Domestic Fixed Income	30%	36.60%
Real Estate	5%	4.94%
Private Equity	5%	13.41%

As of June 30, 2018, 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, 2018, 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	\$ 191,332	\$ 125,881	\$ 70,737

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 \$259,000 with expected completion in the next fiscal year (\$146,329 federal share as of June 30th of total grant of \$404,790 budgeted).

There were no other claims pending or unresolved disputes involving the Authority at June 30, 2019.

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. In the past three years, no claims exceeded existing insurance coverage. 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. The differences are reflected below:

Statement of Net Position and Governmental Fund Balance Sheet Adjustments – Increases (decreases)

- Capitalization of fixed assets of \$881,199, accumulated depreciation of \$651,303 - \$229,896
- Prepaid airport improvements incurred by lessee and long-term lease - \$157,733
- Accrued compensated absences – \$7,342
- Unavailable revenue for grant receivable– (\$30,307)
- Pension activity including deferred outflows of (\$29,531), net pension liability of \$125,881 and deferred inflows of \$102,632 – \$198,982
- Elimination of fund balances – (\$949,276)
- Inclusion of net position - \$1,003,255

Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balances Adjustments

- Grant revenue considered available under accrual accounting - \$30,307
- Increase (decrease) in operating expenditures/expenses, net of which totals (\$24,392):
 - Decrease in net pension liability and related accounts – (\$30,190)
 - Addition of depreciation expense of \$3,716
 - Additional accrued compensated absences - \$2,082
- Removal of capital outlay to capital asset – (\$16,243)



Required Supplementary Information
June 30, 2019

Airport Authority of Carson City

Airport Authority of Carson City
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2019

	2019			Variance to Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			(Memorandum Only)
Revenue					
Local government shared revenue					
Property tax					
Aircraft	\$ 122,571	\$ 122,571	144,338	\$ 21,767	\$ 124,999
Buildings	95,429	95,429	112,314	16,885	120,052
Nevada Department of					
Transportation	-	-	-	-	15,227
FAA grant revenue	361,134	361,134	295,524	(65,610)	243,326
Total local government shared revenue					
	579,134	579,134	552,176	(26,958)	503,604
Miscellaneous					
Leases - annual	241,440	265,440	256,047	(9,393)	244,158
Contributions	-	-	-	-	14,307
Interest earnings	620	620	15,958	15,338	994
Tie-downs	1,000	1,000	3,578	2,578	5,332
Fuel flowage fees	14,000	14,000	12,928	(1,072)	12,153
Jet fuel tax	1,500	1,500	1,800	300	1,851
Through the fence fees	-	-	6,596	6,596	6,330
Miscellaneous	3,120	3,120	18,113	14,993	20,144
Gate cards	2,000	2,000	1,824	(176)	5,155
Class II FBO fees	4,800	4,800	6,500	1,700	4,600
Rock sales	35,000	45,000	55,197	10,197	61,011
Total miscellaneous revenue					
	303,480	337,480	378,541	41,061	376,035
Total revenue					
	882,614	916,614	930,717	14,103	879,639
Expenditures					
Current					
Airport service and supplies					
Repairs and maintenance	25,500	27,500	19,815	7,685	15,390
Web site and AWOS	7,200	7,200	8,491	(1,291)	3,752
Utilities and telephone	19,200	19,200	16,224	2,976	18,915
Contractual services	9,100	9,100	4,845	4,255	48,276
Insurance	7,500	7,500	9,312	(1,812)	6,992
Operating supplies	6,850	6,850	4,093	2,757	7,231
Miscellaneous	10,400	10,400	13,151	(2,751)	7,130
Audit and accounting service	26,200	26,200	25,746	454	20,000
Legal	70,000	70,000	34,443	35,557	78,736
Other professional	14,000	14,000	14,544	(544)	10,943
Total airport service and supplies					
	195,950	197,950	150,664	47,286	217,365

Airport Authority of Carson City
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2019

	2019			Variance to Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			(Memorandum Only)
Airport administration					
Salaries and wages	\$ 135,000	\$ 135,000	\$ 144,847	\$ (9,847)	\$ 75,089
Employee benefits	65,300	65,300	49,918	15,382	34,792
Total airport administration	<u>200,300</u>	<u>200,300</u>	<u>194,765</u>	<u>5,535</u>	<u>109,881</u>
Total airport operations	<u>396,250</u>	<u>398,250</u>	<u>345,429</u>	<u>52,821</u>	<u>327,246</u>
Capital outlay and engineering					
FAA grant project					
Master plan update	-	-	189,690	(189,690)	-
Apron reconstruction	343,584	343,584	125,534	218,050	29,270
Perimeter fence design	50,000	50,000	32,328	17,672	200,162
Rehabilitation taxiways	-	-	-	-	26,815
Fence gate	-	16,000	16,243	(243)	-
Gate improvements	3,500	3,500	-	3,500	12,599
Other engineering	10,000	64,805	64,756	49	5,000
Terminal building	-	-	-	-	1,016
Total capital outlay and engineering	<u>407,084</u>	<u>477,889</u>	<u>428,551</u>	<u>49,338</u>	<u>274,862</u>
Debt service					
Lease transaction	<u>6,240</u>	<u>6,240</u>	<u>6,240</u>	<u>-</u>	<u>6,240</u>
Total expenditures	<u>809,574</u>	<u>882,379</u>	<u>780,220</u>	<u>102,159</u>	<u>608,348</u>
Excess of Revenue over Expenditures	73,040	34,235	150,497	116,262	271,291
Fund Balance, Beginning of Year	<u>615,532</u>	<u>798,779</u>	<u>798,779</u>	<u>-</u>	<u>527,488</u>
Fund Balance, End of Year	<u>\$ 688,572</u>	<u>\$ 833,014</u>	<u>\$ 949,276</u>	<u>\$ 116,262</u>	<u>\$ 798,779</u>

Airport Authority of Carson City
 Schedule of Changes in Net Pension Liability Based on Measurement Date
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Portion of the net pension liability	0.00092%	0.00147%	0.00015%	0.00139%	0.00094%
Proportionate share of the net pension liability	\$ 125,881	\$ 196,091	\$ 202,273	\$ 158,883	\$ 97,541
Covered payroll	\$ 72,499	\$ 101,312	\$ 91,332	\$ 83,111	\$ 84,222
Proportionate share of the net pension liability as a percentage of its covered payroll	173.63%	193.55%	221.47%	191.17%	115.81%
Plan fiduciary net position as a percentage of the total pension liability	74.40%	74.42%	72.23%	75.13%	76.31%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the Authority will present information only for those years for which information is available.

Airport Authority of Carson City
 Schedule of Contributions
 Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 19,054	\$ 13,295	\$ 14,690	\$ 14,690	\$ 14,206
Contributions in relation to the contractually required contribution	\$ (19,054)	\$ (13,295)	\$ (14,690)	\$ (14,690)	\$ (14,206)
Authority's covered payroll	\$ 134,163	\$ 72,499	\$ 101,312	\$ 101,312	\$ 101,312
Contributions as a percentage of covered payroll	14.20%	18.34%	14.50%	14.50%	14.02%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the Authority will present information only for those years for which information is available.



**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
Airport Authority of Carson City
Carson City, Nevada

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, 2019, 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, 2019.

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. We identified certain deficiencies in internal control, described in the schedule of findings and responses as 2019-001 and 2019-002 that we consider to be material weaknesses.

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*.

Airport Authority of Carson City's Response to Findings

The Airport Authority of Carson City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Airport Authority of Carson City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Reno, Nevada
November 12, 2019



**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
Airport Authority of Carson City
Carson City, Nevada

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, 2019. 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, 2019.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Reno, Nevada
November 12, 2019



Auditors' Comments

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

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, 2019, 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

See the schedule of findings and responses for the current year recommendations.

Progress on Prior Year Recommendations

No material weaknesses or significant deficiencies were reported.

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:

- Use of funds established
- Use of generally accepted accounting principles
- Limitations on reserves
- Recording sources of revenue and transfers available
- Statutory and regulatory requirements applicable to the fund
- Ending retained earning amounts

Eide Bailly LLP

Reno, Nevada
November 12, 2019

**2019-001 Internal Control over the Preparation of Financial Statements
Material Weakness**

Criteria: The Authority should have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures.

Condition: The Authority does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Although this circumstance is not unusual for an organization of your size, the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by Authority personnel. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

Cause: The limited size of the entity's internal control system make is difficult to hire enough personnel to prepare such financial statements.

Effect: The financial statements have been prepared by the independent auditors.

Recommendation: We recommend that the Authority consider hiring an CPA to prepare the audited financial statements.

Views of Responsible Officials: The Authority will contract with a local accounting firm to perform additional duties to mitigate the auditors' concern. We believe that we have addressed the significant areas of internal controls relative to our particular operations. The Authority Airport Manager and Treasurer will meet quarterly with contracted accounting firm to review the previous quarter's activity to ensure accuracy of journal entries and bank statement reconciliations.

**2019-002: Adjusting Journal Entries
Material Weakness**

Condition: During the course of our engagement, we proposed material audit adjustments to the Authority's recorded account balances in the areas of cash, tax and grant receivables, accounts payable, deferred leases, and salaries and benefits. In addition, the audit indicated that the amount contributed to PERS was incorrect. If the adjustments were not recorded, it would have resulted in a material misstatement of the Authority's financial statements. The need for these adjustments indicates that the Authority's interim financial information is not materially correct, which may affect management decisions made during the course of the year.

Criteria: Internal controls should be in place to provide reasonable assurance that protects the Authority from errors or omissions.

Cause: The Authority is not reviewing and monitoring the financial information as reflected in the accounting records.

Effect: Errors or omissions could occur without being identified in the normal course of operations.

Recommendation: The Authority should implement a policy that includes review of the financial information as recorded in the records and a review of expenses incurred to reduce the risk of errors or omissions.

View of Responsible Officials and Planned Corrective Actions: The Authority will contract with a local accounting firm to perform additional duties to mitigate the auditors' concern. We believe that we have addressed the significant areas of internal controls relative to our particular operations. The Authority Airport Manager and Treasurer will meet quarterly with contracted accounting firm to review the previous quarter's activity to ensure accuracy of journal entries and bank statement reconciliations.