



November 12, 2019

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

We have audited the financial statements of Airport Authority of Carson City as of and for the year ended June 30, 2019 and have issued our report thereon dated November 12, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated May 10, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Airport Authority of Carson City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding material weaknesses during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated November 12, 2019.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Airport Authority of Carson City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements relate to the value of the net pension liability, deferred outflows and deferred inflows.

Management's estimate of the value of the net pension liability, deferred outflows and inflows is based on the actuary report as provided by PERS. We evaluated the key factors and assumptions used to develop the net pension liability, deferred outflows and inflows and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Airport Authority of Carson City's financial statements relate to the pension plan in Note 9.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

The following misstatements that we identified as a result of audit procedures performed were brought to the attention of, and corrected by, management:

- Record impact of deferred leases for current year - \$7,258
- Record current year grant receivable - \$29,504
- Remove duplicate engineer payable - \$14,765
- True up taxes receivable - \$11,867
- Record deferred revenue on new lease - \$23,890
- Correct errors in billings on leases - \$3,203
- Write off uncollectible receivable - \$2,100
- Reclassify to accounts payable from cash check dated in August 2019 - \$24,356
- Reverse duplicate payment posting on lease - \$2,194
- Reclassify advance payments on leases - \$13,046
- Record unrecorded liabilities - \$21,860
- Correct balances in salaries and benefits - \$30,565
- Record amount due to PERS based on incorrect payments made - \$6,908
- Reclassify old payment deposited to cash that should be receivable balance - \$2,194
- Reclassify expenses between AIP projects.
- Record accrued interest on LGIP accounts of \$1,913
- Record additional grant receivable and relate unavailable revenue liability- \$30,307

In addition, the following adjustments were proposed in connection with the conversion from the fund statements to the government-wide financial statements:

- Recording opening balances for government-wide financial statement differences, net equity impact - \$16,962
- Reclassify 50% of PERS payment to salaries - \$11,200
- Capitalization of equipment - \$16,243
- Record depreciation expense - \$3,716
- Adjust accrued compensated absences - \$2,083
- Record unavailable revenue relating to grant receivable as revenue - \$30,307
- Record the net pension liability and related deferred outflows and inflows, net impact of \$30,190

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit:

General Fund

Overstatement of lease revenue	\$ 3,045
Understatement of payroll expense	\$ 2,202
Understatement of receivables and unavailable revenue	\$ 3,662

Governmental Activities

Overstatement of lease revenue	\$ 3,045
Understatement of payroll expense	\$ 2,202
Understatement of tax revenue	\$ 3,662
Understatement of PERS deferral	\$ 6,841

The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements of \$10,154 as of and for the year ended June 30, 2018, is an overstatement or (understatement) of net income of \$9,311 and (\$1,192) in the general fund and governmental activities respectively; and an understatement of ending fund balance/net position of (\$843) and (\$4,505) in the general fund and governmental activities, respectively. In addition, we passed on disclosing the changes in accrued compensated absences that included a balance at June 30, 2019 of \$7,342 in the government-wide financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Airport Authority of Carson City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated November 12, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Airport Authority of Carson City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Carson City Airport Authority's auditors.

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

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

Reno, Nevada