TUCSON AIRPORT AUTHORITY | Audit Council Meeting
Wednesday, August 31, 2022 | 10:00 a.m. | Virtual Meeting

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Tucson Airport Authority (TAA) and to the public that the **Audit Council** will hold a meeting open to the public on **Wednesday, August 31, 2022, beginning at 10:00 a.m.** The meeting will be held by video and telephonically via the remote participation platform Microsoft Teams. The registration form may be accessed via the URL below. Upon submitting the registration form, attendees will receive an email confirmation containing the information to join the meeting virtually or by phone.

MICROSOFT TEAMS REGISTRATION FORM

The agenda for the meeting is as follows:

1. CALL TO ORDER | ROLL CALL

- ❑ David Smallhouse, Chair
- ❑ Taunya Villicaña
- ❑ Isaac Figueroa
- ❑ John Parker
- ❑ Tony Finley, Vice Chair
- ❑ David Lyons
- ❑ Cristina Baena

2. FY 2021 EXTERNAL AUDIT UPDATE

a. Representatives from the independent audit firm BeachFleischman will update the Council on the progress of the FY 2021 financial statement audit, single audit, and related items.

b. The Audit Council will review and discuss the specific language presented in the single audit finding of a material weakness over internal controls as well as management's written response to that finding.

c. The Audit Council will consider and may recommend to the Board of Directors that it accept the FY 2021 financial statements and the audit opinion expressed by BeachFleischman, PLLC.

3. ADMINISTRATIVE UPDATES

a. Next Meeting – November 2022

4. ADJOURN

Date: August 31, 2022

To: Audit Council
From: Kirk Eickhoff, Vice President/CFO
Re: Single Audit Internal Control Finding – FY 2021

Purpose:
This memo provides an update on the presentation of the internal control finding reported by Tucson Airport Authority's (TAA) independent auditor BeachFleischman, PLLC (BeachFleischman).

Update:
As discussed during the prior Audit Council meeting, held on August 18, 2022, BeachFleischman is reporting a finding of a material weakness over internal controls related to timing of revenue recognition of Coronavirus Aid, Relief, and Economic Security Act (CARES) grant funding. The Audit Council requested the opportunity to review the specific language used by BeachFleischman in their report to describe the finding. The auditee response to this finding was also a point of interest.

Included with this council packet are two reports:

- The first is the FY 2021 Annual Consolidated Financial Report (ACFR). This is TAA's annual financial statement, complete with management's discussion and analysis, footnotes, required supplementary information, and statistics. The auditor is issuing an unmodified opinion on this report and there is no mention of the internal control finding in these statements.

- The second report is the FY 2021 Single Audit Report. This report includes a statement on compliance for major federal award programs, internal control over compliance, and on the Schedule of Expenditures of Federal Awards. The internal control findings are limited to this report. For your reference, the schedule of findings is presented on pages 8 through 11. This section contains both the auditor's explanation of the finding as well as the auditee (TAA's) response.

Recommendation:
TAA management requests that the Audit Council recommend that the Board of Directors accept the FY 2021 financial statements (both ACFR and Single Audit) and the audit opinion expressed by BeachFleischman, PLLC.

DRAFT

TUCSON AIRPORT AUTHORITY, INC.

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

Independent Auditors' Report

Board of Directors and Management
Tucson Airport Authority, Inc.
Tucson, Arizona

We have audited the accompanying financial statements of Tucson Airport Authority, Inc. which comprise the statement of net position as of September 30, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audits 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 audits 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 opinion.

DRAFT

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Tucson Airport Authority, Inc. as of September 30, 2021, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Tucson Airport Authority, Inc. as of September 30, 2020, were audited by other auditors whose report dated June 16, 2022, expressed an unmodified opinion on those statements.

Other Matter

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the pension plan and other post employment benefit plan information, as listed in the table of contents, 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 supplementary 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tucson Airport Authority, Inc.'s basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on our consideration of Tucson Airport Authority, Inc.'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 Tucson Airport Authority, Inc.'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 Tucson Airport Authority, Inc.'s internal control over financial reporting and compliance.

Tucson, Arizona

Management's Discussion and Analysis

The following discussion and analysis of the financial performance and activity of the Tucson Airport Authority, Inc. (Authority) provides an introduction to the Authority's financial statements for the fiscal year ended September 30, 2021 (FY 2021). Information for the two preceding fiscal years ended September 30, 2020 and 2019 (FY 2020 and FY 2019, respectively) has been included to provide a better insight into the overall financial position of the Authority.

The Authority is a business-type activity and, as such, the Basic Financial Statements and Required Supplementary Information (RSI) consist of Management's Discussion and Analysis (MD&A), the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows, and the Notes to Financial Statements. This MD&A has been prepared by management and should be read and considered in conjunction with the Authority's basic financial statements.

AIRPORT ACTIVITIES & HIGHLIGHTS

Passenger and air carrier activity decreased in both FY 2021 and FY 2020 at the Tucson International Airport (TUS) after an increase in FY 2019. Total passengers decreased by 1.1% for FY 2021, which followed a decrease of 39.6% for FY 2020 and an increase of 6.5% for FY 2019. The TAA noted a marked recovery from the impacts of the COVID-19 pandemic when compared to FY 2020. Daily nonstop departures increased to 43 at the end of FY 2021, which is a significant recovery from the count of 24 at the end of FY 2020, though slightly down from the count of 47 daily nonstop departures recorded at the end of FY 2019. In general, average nonstop departures are impacted by a number of factors and vary from day-to-day and month-to-month. The average daily seat capacity in FY 2021 was a 7.6% decrease over FY 2020, which followed a 24.9% decrease over FY 2019, and a 9.6% increase in FY 2019 compared to FY 2018.

Total aircraft operations (take-offs and landings) at TUS increased 14.3% in FY 2021 after decreasing 6.7% in FY 2020 and increasing 0.2% in FY 2019. Total FY 2021 operations comprised 74,758 general aviation operations, 45,023 air carrier and air taxi (passenger airline, cargo airline, and charter) operations and 20,401 military operations. In contrast to air carrier and air taxi operations that generate landing fee revenue, general aviation and military operations do not directly generate revenue for the Authority. The increase in operations for FY 2021 was primarily attributed to an increase in military and general aviation of 21.1% and 19.5%, respectively. The decrease in operations for FY 2020 was primarily attributed to a decrease in air carrier and military operations of 25.9% and 9.7%, respectively, which was partially offset by an increase of 5.1% in general aviation.

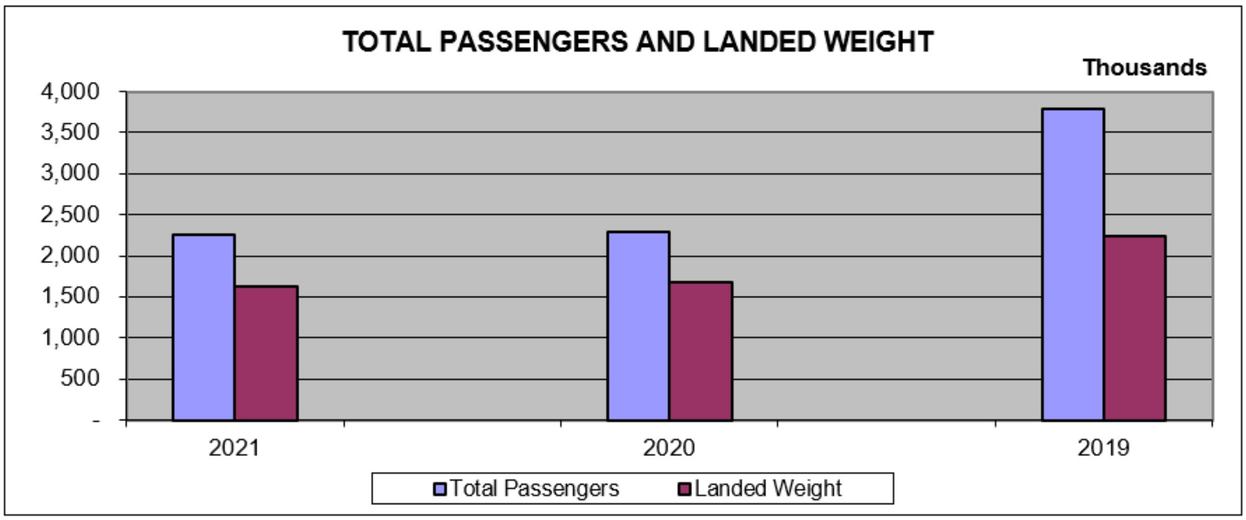
Landed weight decreased by 2.7% in FY 2021 from FY 2020 to 1,633,047 one-thousand pound units, after decreasing by 25.2% in FY 2020 and increasing by 7.9% in FY 2019. In addition to changes in overall air traffic resulting from the COVID-19 pandemic in FY 2021, the changes across all years have been caused by variations in passenger carrier air service through a combination of increases and/or decreases in flights and the size of aircraft used for flights.

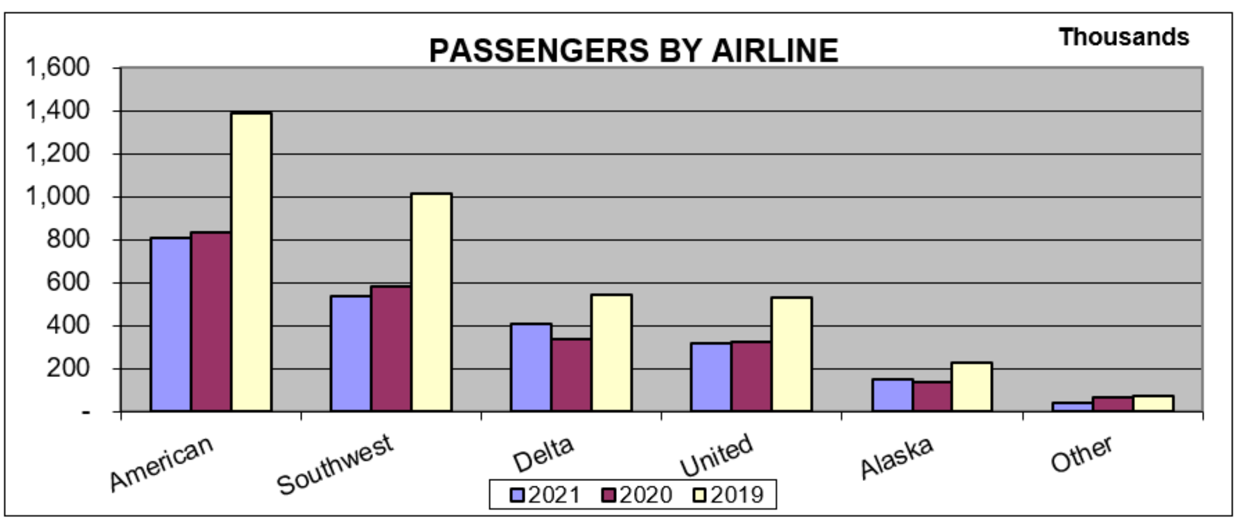
Mail and express cargo shipments increased by 7.0% in FY 2021 from FY 2020, following a decrease of 4.0% in FY 2020 and an increase of 4.0% in FY 2019. The changes in mail and express cargo shipments in each of these years were primarily a result of changes experienced by Federal Express, the single major cargo carrier operating scheduled flights at TUS.

Eight major domestic passenger carriers served TUS as of both September 30, 2021 and September 30, 2020 and six as of September 30, 2019. American Airlines and Southwest Airlines have dominated in both passenger activity and landed weight over the three reporting periods. These two carriers accounted for 59.5% of passenger traffic in FY 2021, 62.1% FY 2020 and 63.5% in FY 2019.

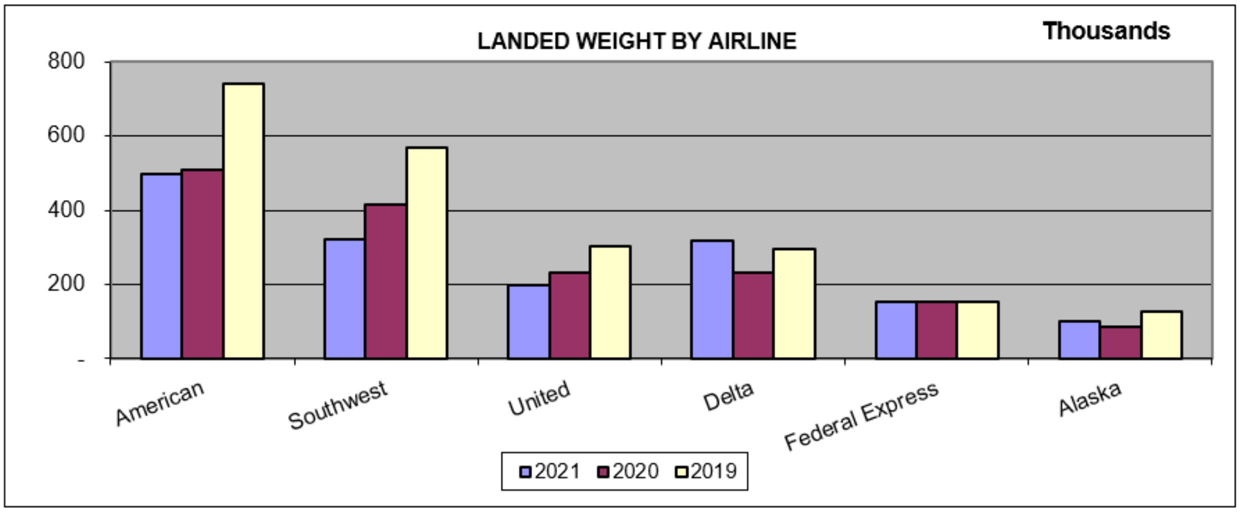
AIRPORT ACTIVITIES AND HIGHLIGHTS – continued

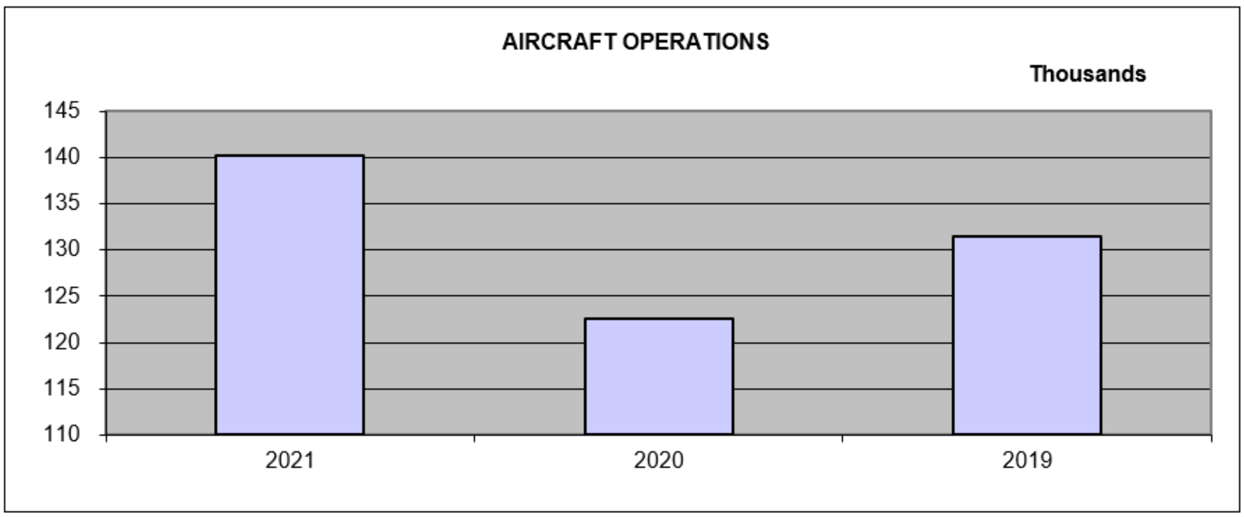
Activities & Highlights	2021	2020	2019
Total passengers	2,257,581	2,283,777	3,783,535
% increase/decrease(-)	-1.1%	-39.6%	6.5%
Average daily seat capacity	4,308	4,663	6,220
% increase/decrease(-)	-7.6%	-25.0%	9.7%
Aircraft operations	140,182	122,631	131,416
% increase/decrease(-)	14.3%	-6.7%	0.2%
Landed weight (1,000 lb. Units)	1,633,047	1,677,958	2,243,559
% increase/decrease(-)	-2.7%	-25.2%	7.9%
Mail & express cargo (pounds)	67,643,468	63,246,903	65,916,153
% increase/decrease(-)	7.0%	-4.0%	4.0%

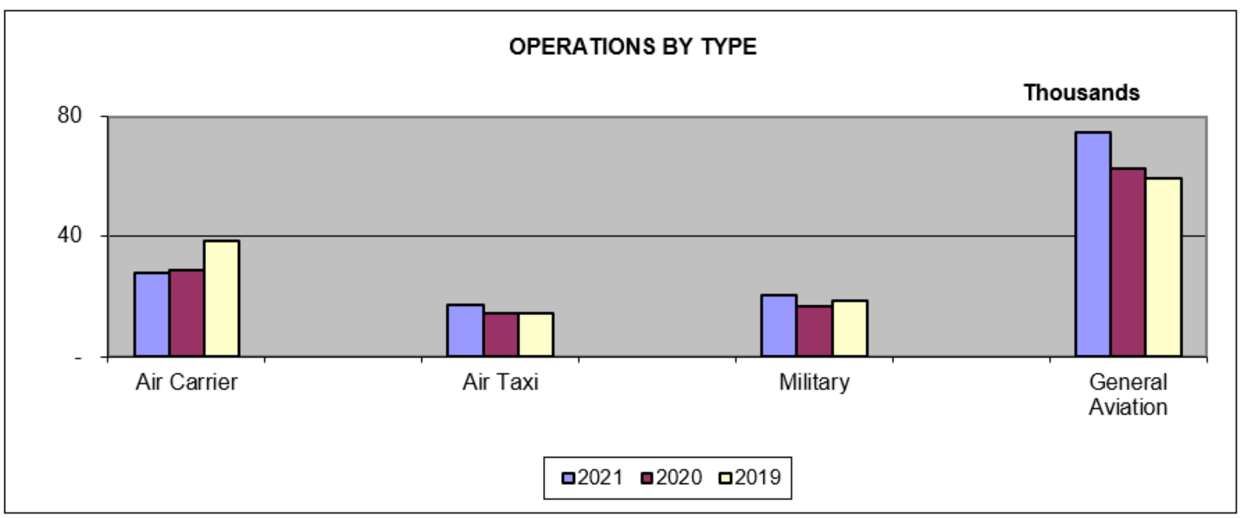




AIRPORT ACTIVITIES AND HIGHLIGHTS – continued







FINANCIAL HIGHLIGHTS

The Authority's assets and deferred outflows exceeded liabilities and deferred inflows at the end of FY 2021 by $439.4 million, compared to $423.9 million and $396.0 million at the end of FY 2020 and FY 2019, respectively. Unrestricted net position for fiscal years 2021, 2020 and 2019 was $107.0 million, $99.6 million and $86.2 million, respectively. The Authority experienced increases in net position of $15.5 million, $27.8 million and $9.0 million for FY 2021, FY 2020 and FY 2019, respectively, compared to the previous years. The FY 2021 decrease is largely attributable to a decrease in both non-operating revenues of $6.0 million due to a large gain on disposed fixed assets in FY 2020 and a decrease in capital contributions of $5.1 million due to large draws on federal grant funding in FY 2020. The FY 2020 increase is largely attributable to capital contributions of $16.8 million and other nonoperating grants-in-aid of $14.2 million, offset by an $8.4 million decrease in operating revenues due to the global response to the COVID-19 pandemic.

The Authority's total noncurrent liabilities decreased by $40.5 million in FY 2021 over FY 2020 and decreased by $0.1 million in FY2020 over FY 2019. These decreases reflect changes in the net pension liability, long-term debt and noncurrent environmental liabilities. Particular to FY 2021, the Authority made a lump sum contribution payment of $27.2 million to the Public Safety Personnel Retirement System (PSPRS) during the year for its fire department and police department pension plans to reduce the associated net pension liabilities for each.

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	2021	2020	2019
Operating revenues	$ 36,328,027	$ 38,869,374	$ 47,261,051
Operating expenses	30,484,383	33,313,961	32,907,346
Operating income before depreciation and amortization	5,843,644	5,555,413	14,353,705
Depreciation and amortization	20,148,835	19,514,629	18,393,628
Operating income (loss)	(14,305,191)	(13,959,216)	(4,039,923)
Non-operating revenues	20,429,693	26,394,334	12,364,497
Non-operating expenses	(2,205,762)	(1,354,548)	(2,664,201)
Income (loss) before capital contributions	3,918,740	11,080,570	5,660,373
Capital contributions	11,614,274	16,763,540	3,386,455
Increase in net position	15,533,014	27,844,110	9,046,828
Net position, beginning of year	423,861,783	396,017,673	386,970,845
Net position, end of year	$ 439,394,797	$ 423,861,783	$ 396,017,673

Total operating revenues decreased $2.5 million (6.5%) in FY 2021 over FY 2020 and decreased $8.4 million (17.8%) in FY 2020 over FY 2019. Decreases in operating revenues in FY 2020 were primarily related to decreases in space rental revenue during the pandemic as rent relief (including waivers of minimum annual guarantees) was provided to tenants during FY2021. Decreases in operating revenues in FY 2020 were primarily related to decreases in concessions and landing fees due to travel restrictions during the pandemic.

Total operating expenses in FY 2021 decreased by $2.8 million (8.5%) over FY 2020. The decrease was largely attributable to decreases in personnel and other operating expenses partially offset by an increase in contractual services. Total operating expenses in FY 2020 increased by $0.4 million (1.2%) over FY 2019, with increases in personnel and other operating expenses partially offset by a decrease in contractual services.

Non-operating revenues in FY 2021 decreased 22.6% compared to FY 2020. This was mainly due to a decrease gain on disposition of fixed assets in FY 2021 compared to FY 2020. FY 2020 increased 113.5% compared to FY 2019. This was primarily attributable to an increase in the gain on disposition of capital assets resulting from a one-time land sale and other non-operating revenue, which includes federal assistance related to the pandemic. Non-operating expenses increased by 62.8% in FY 2021 due to increased environmental expenses. This follows a decrease in FY 2020 by 49.2% compared to FY 2019, which was primarily due to decreases in environmental expense and interest expense in that year.

Capital contributions in FY 2021 decreased by 30.7% from FY 2020 and FY 2020 increased by 395.0% over FY 2019. Year-to-year variances in capital contributions are determined by factors such as grant availability and project timing and are not generally expected to be consistent between years.

FINANCIAL POSITION

Summary of net position	2021	2020	Increase (decrease)	% Increase decrease (-)
Assets				
Current (unrestricted)	$ 154,296,621	$ 176,314,340	$ (22,017,719)	-13.9%
Current (restricted)	23,678,719	23,014,065	664,654	2.9%
Net capital assets	335,774,792	331,407,192	4,367,600	1.3%
Other noncurrent assets	88,995	298,252	(209,257)	-70.2%
Total assets	513,839,127	531,033,849	(17,194,722)	-3.2%
Deferred outflows of resources	4,180,444	6,091,332	(1,910,888)	-31.4%
Total assets and deferred outflows of resources	518,019,572	537,125,181	(19,105,610)	-3.6%
Liabilities				
Current (payable from unrestricted assets)	16,842,881	17,556,125	(713,245)	-4.1%
Current (payable from restricted assets)	389,951	402,420	(12,469)	-3.1%
Noncurrent	53,934,180	94,435,684	(40,501,504)	-42.9%
Total liabilities	71,167,012	112,394,229	(41,227,218)	-36.7%
Deferred inflows of resources	7,457,762	869,169	6,588,593	758.0%
Total liabilities and deferred inflows of resources	78,624,774	113,263,398	(34,638,625)	721.4%
Net position				
Net investment in capital assets	309,147,343	301,652,819	7,494,524	2.5%
Restricted	23,286,272	22,611,645	674,627	3.0%
Unrestricted	106,961,183	99,597,319	7,363,864	7.4%
Net position	$ 439,394,798	$ 423,861,783	$ 15,533,015	3.7%

Summary of net position		2020		2019		Increase (decrease)	% Increase decrease (-)
Assets							
Current (unrestricted)	$	176,314,340	$	158,585,935	$	17,728,405	11.2%
Current (restricted)		23,014,065		21,646,775		1,367,290	6.3%
Net capital assets		331,407,192		321,124,814		10,282,378	3.2%
Other noncurrent assets		298,252		501,534		(203,282)	-40.5%
Total assets		531,033,849		501,859,059		29,174,790	5.8%
Deferred outflows of resources		6,091,332		3,992,003		2,099,329	52.6%
Total assets & deferred outflows of resources		537,125,181		505,851,062		31,274,119	6.2%
Liabilities							
Current (payable from unrestricted assets)		17,556,125		13,853,564		3,702,561	26.7%
Current (payable from restricted assets)		402,420		149,762		252,658	168.7%
Noncurrent		94,435,684		94,486,891		(51,207)	-0.1%
Total liabilities		112,394,229		108,490,217		3,904,012	3.6%
Deferred inflows of resources		869,169		1,343,173		(474,004)	-35.3%
Total liabilities & deferred inflows of resources		113,263,398		109,833,390		3,430,008	3.1%
Net position							
Net investment in capital assets		301,652,819		288,319,668		13,333,151	4.6%
Restricted		22,611,645		21,497,013		1,114,632	5.2%
Unrestricted		99,597,319		86,200,991		13,396,328	15.5%
Net position	$	423,861,783	$	396,017,672	$	27,844,111	7.0%

FINANCIAL POSITION – continued

Current unrestricted assets decreased in FY 2021 over FY 2020 $22.0M and increased in FY 2020 over FY 2019 by $17.7 million. The FY 2021 decrease was primarily due to a decrease in cash and cash equivalents of $56.2 million, partially offset by an increase in investments of $42.4 million. The FY 2020 increase was due mainly to an increase in cash and cash equivalents of $43.5 million and grants receivable of $16.5 million, partially offset by a $40.8 million decrease in investments. Current restricted assets increased by $0.7 million in FY 2021 following an increase of $1.4 million in FY 2020. The increase in FY 2021 resulted from an increase in investments in both the Passenger Facility Charge (PFC) fund and Land Acquisition fund, offset by a decrease in cash in both funds. The increase in FY 2020 resulted from an increase in cash, offset by a decrease in investments. Net capital assets increased by $4.4 million in FY 2021 over FY 2020 and increased by $10.3 million in FY 2020 over FY 2019, both years being impacted by projects in the Authority's capital improvement program.

Current liabilities payable from unrestricted assets in FY 2021 decreased $0.7 million compared to FY 2020. There was little change in current liabilities payable from restricted assets in FY 2021 compared to FY 2020, with both years totaling $0.4 million. Current liabilities payable from unrestricted assets in FY 2020 increased $3.7 million compared to FY 2019. Current liabilities payable from restricted assets in FY 2020 increased $0.3 million compared to FY 2019. Total noncurrent liabilities decreased by $40.5 million in FY 2021 compared to FY 2020 and decreased by $0.1 million in FY 2020 compared to FY 2019. The decrease in FY 2021 was primarily due to a decrease in the net pension liability of $36.8 million. The Authority made a lump sum payment during FY 2021 to PSPRS of $27.2 million to reduce the net pension liability for both its fire department and police department pension programs. The decrease in FY 2020 was primarily due to normal debt service, offset by an increase in net pension/other post-employment benefits (OPEB) liability.

The largest portion of the Authority's net position, 70.4% for FY 2021, 71.2% for FY 2020 and 72.8% for FY 2019, represents its investment in capital assets (e.g., land, buildings, machinery and equipment), less outstanding debt used to acquire those assets. The Authority uses these assets to provide services to its passengers, visitors and tenants that generate future revenue streams. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from operations, since the capital assets themselves cannot be used to retire these liabilities.

An additional portion of the Authority's net position, 5.3% for both FY 2021 and FY 2020 and 5.4% for FY 2019, represents resources that are subject to restrictions from government grantors, bond resolutions and State and Federal regulators on how they may be used. The changes in restricted net position over the three-year period are primarily attributable to passenger facility charge funds that are accumulating for retirement of debt used to finance completed terminal expansion and concourse renovation projects, offset by decreases in assets restricted for payment of environmental remediation expenses. The remaining unrestricted net position balances of $107.0 million for FY 2021, $99.6 million for FY 2020 and $86.2 million for FY 2019 may be used for any lawful purpose of the Authority.

REVENUES

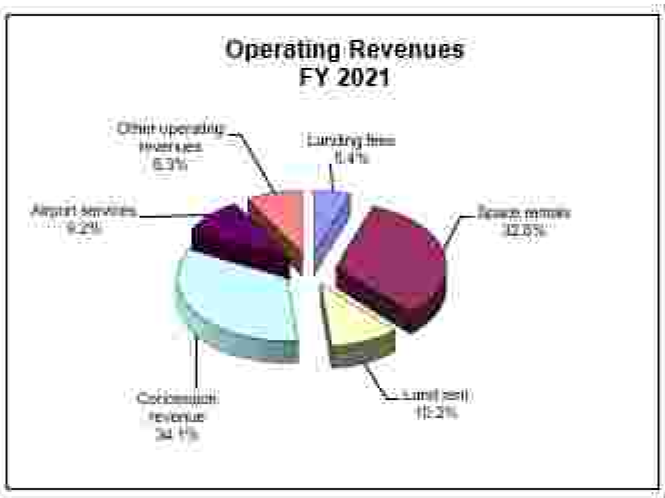
In FY 2021, total revenues of $68.4 million were less than the prior fiscal year by 16.6%, whereas FY 2020 revenues of $82.0 million were more than FY 2019 by 30.2%.

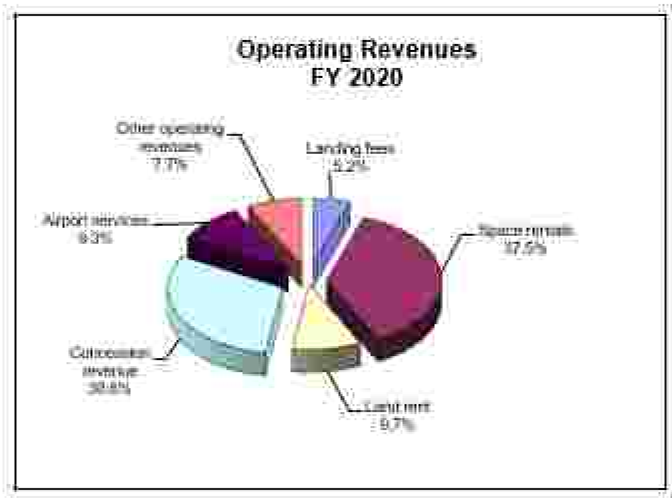
Operating revenues decreased in FY 2021 over FY 2020 by $2.5 million (6.5%). Revenue category changes included decreases in space rentals of $2.7 million and airport services of $0.3 million, and an increase in concession revenue of $0.5 million. The largest decrease over prior year was for space rentals (18.2%) and it is generally attributable to rent relief that was provided to airport tenants during FY 2021 due to the COVID-19 pandemic.

Revenues by major source	2021	2020	Increase (decrease)	% Increase decrease (-)
Landing fees	$ 1,973,618	$ 2,037,041	$ (63,423)	-3.1%
Space rentals	11,906,284	14,560,223	(2,653,939)	-18.2%
Land rent	3,705,607	3,789,349	(83,742)	-2.2%
Concession revenue	12,386,429	11,878,384	508,045	4.3%
Airport services	3,354,818	3,611,852	(257,034)	-7.1%
Other operating revenues	3,001,271	2,992,525	8,746	0.3%
Total operating revenues	36,328,027	38,869,374	(2,541,347)	-6.5%
Interest income	485,673	2,330,044	(1,844,371)	-79.2%
Net increase (decrease) in fair value of investments	(169,672)	47,394	(217,066)	-458.0%
Passenger facility charges	4,628,663	4,265,140	363,523	8.5%
Gain/(loss) on disposition of fixed assets	(22,866)	5,538,871	(5,561,737)	-100.4%
Nonoperating grants-in-aid	15,507,895	14,153,997	1,353,898	9.6%
Other nonoperating revenue	-	58,888	(58,888)	0.0%
Total nonoperating revenues	20,429,693	26,394,334	(5,964,641)	-22.6%
Capital contributions	11,614,274	16,763,541	(5,149,267)	-30.7%
Total revenues	$ 68,371,994	$ 82,027,249	$ (13,655,255)	-16.6%

REVENUES - continued

The following charts show the major sources and the percentage of operating revenues for fiscal years 2021 and 2020:

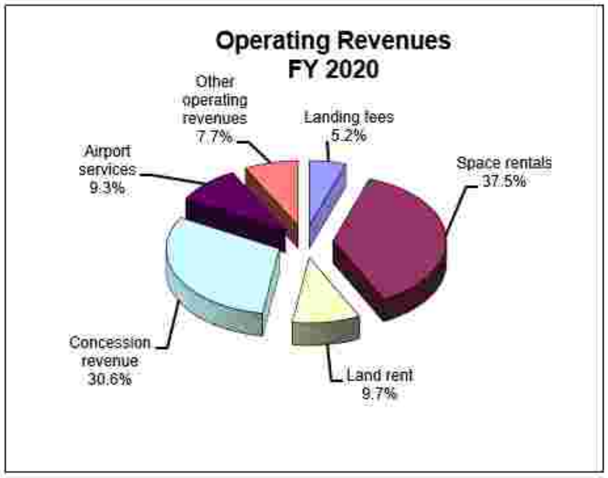


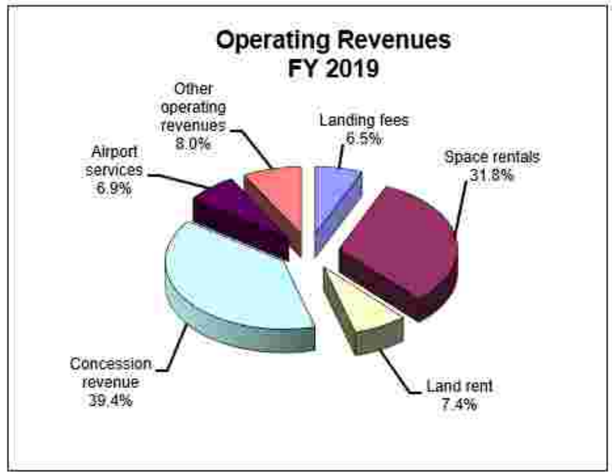


Operating revenues decreased in FY 2020 over FY 2019 by $8.4 million (17.8%). Revenue category changes included decreases in landing fees of $1.0 million, concession revenue decreases of $6.7 million, and other operating revenue decreases of $0.7 million. The landing fees decreased from the prior year (33.7%), concession revenues (36.2%) and other operating revenue decreases (19.7%) are generally attributable to the declining traffic at the airport due to restrictions in domestic and international travel during the COVID-19 pandemic.

Revenues by major source	2020	2019	Increase (decrease)	% Increase decrease (-)
Landing fees	2,037,041	$ 3,070,839	(1,033,798)	-33.7%
Space rentals	14,560,223	15,046,170	(485,947)	-3.2%
Land rent	3,789,349	3,515,665	273,684	7.8%
Concession revenue	11,878,384	18,624,434	(6,746,050)	-36.2%
Airport services	3,611,852	3,278,715	333,137	10.2%
Other operating revenues	2,992,525	3,725,228	(732,703)	-19.7%
Total operating revenues	38,869,374	47,261,051	(8,391,677)	-17.8%
Interest income	2,330,044	3,079,094	(749,050)	-24.3%
Net increase (decrease) in fair value of investments	47,394	1,753,938	(1,706,544)	-97.3%
Passenger facility charges	4,265,140	7,229,199	(2,964,059)	-41.0%
Gain on disposition of fixed assets	5,538,871	45,589	5,493,282	12049.6%
Nonoperating grants-in-aid	14,153,997	256,676	13,897,321	5414.3%
Other non-operating revenues	58,888	-	58,888	0.0%
Total nonoperating revenues	26,394,334	12,364,496	14,029,838	113.5%
Capital contributions	16,763,541	3,386,455	13,377,086	395.0%
Total revenues	82,027,249	$ 63,012,002	19,015,247	30.2%

The following charts show the major sources and the percentage of operating revenues for fiscal years 2020 and 2019:





NONOPERATING REVENUES

Nonoperating revenues consist mainly of income on investments, gain on disposition of capital assets, federal grant assistance related to the pandemic reported in other nonoperating revenue, and passenger facility charges (PFCs). PFC revenue fluctuates based on passenger levels. FY 2021 nonoperating revenues decreased $6.0 million (22.6%) over FY 2020 due to lower gain on disposition of capital assets of $5.6 million attributable to a one-time land sale in FY 2020 and a decrease in interest income of $1.8 million due to various factors in the larger economy, offset by an increase in federal grant assistance by $1.4 million. FY 2020 nonoperating revenues increased $14.0 million (113.5%) over FY 2019 due to higher gain on disposition of capital assets of $5.5 million attributable to a one-time land sale and an increase in federal grant assistance by $13.9 million, offset by a decrease in PFC revenue of $3.0 million and lower interest income and net increase in fair value of investments that combined represented a decrease of $2.5 million from FY 2019.

CAPITAL CONTRIBUTIONS

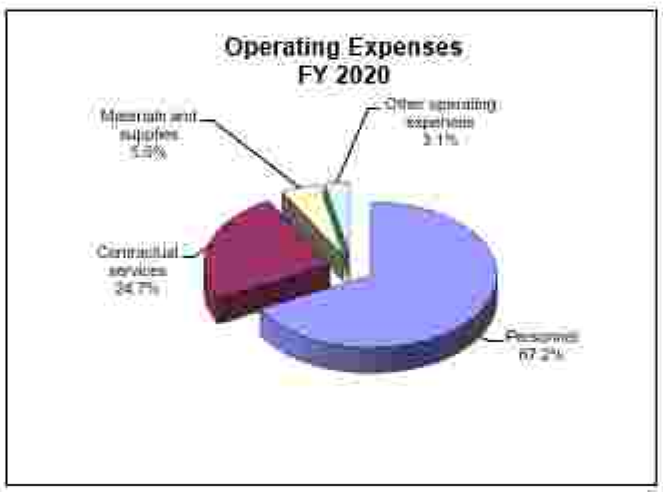
Capital contributions consist of various federal and state grants and vary from year-to-year depending on grant availability and timing of projects.

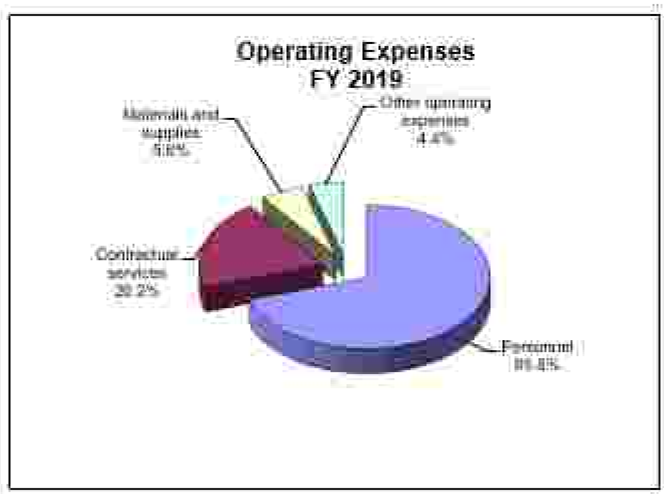
EXPENSES

Total expenses for FY 2021 decreased 2.5% from FY 2020 due primarily to decreases in most operating expenses, offset by increases in nonoperating expenses. Operating expenses decreased $2.8 million (8.5%). The increase in operating expenses was a result of decreases across all operating expense categories except contractual services. Nonoperating expenses were $0.9 million (62.8%) higher in FY 2021 than FY 2020, caused primarily by an increase in environmental expenses of $0.9 million.

Expenses by major category	2021	2020	Increase (decrease)	% Increase decrease (-)
Personnel	$ 20,489,377	$ 23,272,979	$ (2,783,602)	-12.0%
Contractual services	7,516,420	6,726,582	789,838	11.7%
Materials and supplies	1,533,550	1,859,050	(325,500)	-17.5%
Other operating expenses	945,036	1,455,350	(510,314)	-35.1%
Total operating expenses	30,484,383	33,313,961	(2,829,578)	-8.5%
Depreciation and amortization	20,148,835	19,514,629	634,206	3.2%
Interest expense	871,573	960,095	(88,522)	-9.2%
Environmental expenses	1,334,189	394,453	939,736	238.2%
Loss on disposition of capital assets	-	-	-	
Other nonoperating expenses	-	-	-	100.0%
Total nonoperating expenses	2,205,762	1,354,548	851,214	62.8%
Total expenses	$ 52,838,980	$ 54,183,138	$ (1,344,158)	-2.5%

The following charts show the major operating expense categories for the Authority for FY 2021 and FY 2020:



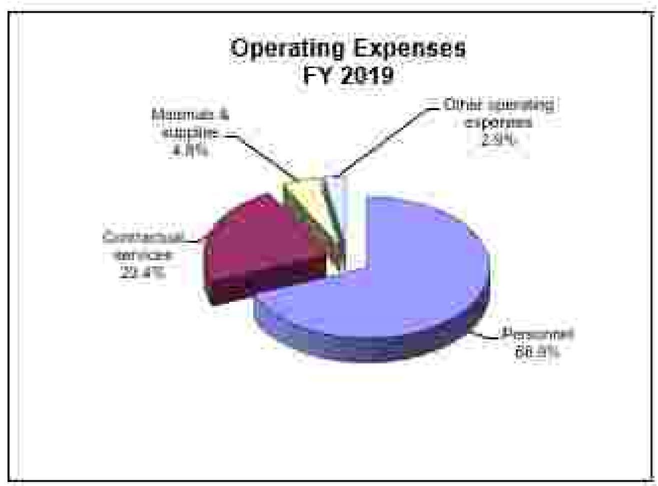


EXPENSES - continued

Total expenses for FY 2020 increased 0.4% from FY 2019 due primarily to increases in most operating expenses, offset by decreases in nonoperating expenses. Operating expenses increased $0.4 million (1.2%). The increase in operating expenses was a result of increases across all operating expense categories except contractual services. Nonoperating expenses were $1.3 million (49.2%) lower in FY 2020 than FY 2019, caused mainly by decreases in interest expense of $0.1 million and environmental expense of $1.2 million.

Expenses by major category	2020	2019	Increase (decrease)	% Increase decrease (-)
Personnel	$ 23,272,979	$ 22,646,456	$ 626,523	2.8%
Contractual services	6,726,582	7,710,016	(983,434)	-12.8%
Materials & supplies	1,859,050	1,595,222	263,828	16.5%
Other operating expenses	1,455,350	955,652	499,698	52.3%
Total operating expenses	33,313,961	32,907,346	406,615	1.2%
Depreciation and amortization	19,514,629	18,393,628	1,121,001	6.1%
Interest expense	960,095	1,077,162	(117,067)	-10.9%
Environmental expenses	394,453	1,587,039	(1,192,586)	-75.1%
Loss on disposition of capital assets	-	-	-	
Other nonoperating expenses	-	-	-	
Total nonoperating expenses	1,354,548	2,664,201	(1,309,653)	-49.2%
Total expenses	$ 54,183,138	$ 53,965,175	$ 217,963	0.4%

The following charts show the major operating expense categories for the Authority for FY 2020 and FY 2019:



CAPITAL ASSETS

Net capital assets increased $4.4 million (1.3%) in FY 2021 over FY 2020. The increase resulted from spending on capital improvement program projects. The most significant FY 2021 CIP projects were undertaken on the airfield and included taxiway construction and a continuation of the multi-year airfield safety enhancement project (ASE).

Net capital assets		2021		2020		Increase (decrease)	% Increase decrease (-)
Land	$	51,555,292	$	51,555,292	$	(0)	0.0%
Air avigation easements		29,990,090		29,990,090		-	0.0%
Land improvements		211,389,499		203,936,506		7,452,993	3.7%
Buildings and improvements		269,243,354		266,982,123		2,261,231	0.8%
Utilities		5,951,108		5,951,108		(0)	0.0%
Computer software		7,088,492		6,421,357		667,135	10.4%
Furniture, fixtures, machinery and equipment		49,984,905		47,836,856		2,148,049	4.5%
Artwork		493,188		481,798		11,390	2.4%
Construction in progress		46,291,185		34,708,397		11,582,788	33.4%
Gross capital assets		671,987,111		647,863,527		24,123,584	3.7%
Less accumulated depreciation		336,212,319		316,456,335		19,755,984	6.2%
Net capital assets	$	335,774,792	$	331,407,192	$	4,367,600	1.3%

Net capital assets increased $10.3 million (3.2%) in FY 2020 over FY 2019. The increase resulted from spending on capital improvement program projects. The most significant FY 2020 CIP projects were undertaken on the airfield and included taxiway construction and design and groundbreaking for the multi-year airfield safety enhancement project (ASE). Land assets decreased in FY 2020 due to a one-time disposition.

Net capital assets		2020		2019		Increase (decrease)	% Increase decrease (-)
Land	$	51,555,292	$	52,751,886	$	(1,196,594)	-2.3%
Air avigation easements		29,990,090		29,990,090		-	0.0%
Land improvements		203,936,507		199,468,905		4,467,602	2.2%
Buildings and improvements		266,982,122		263,382,098		3,600,024	1.4%
Utilities		5,951,108		5,951,108		-	0.0%
Computer software		6,421,357		6,345,878		75,479	1.2%
Furniture, fixtures, machinery and equipment		47,836,856		46,849,972		986,884	2.1%
Artwork		481,798		481,798		-	0.0%
Construction in progress		34,708,397		13,505,421		21,202,976	157.0%
Gross capital assets		647,863,526		618,727,156		29,136,370	4.7%
Less accumulated depreciation		316,456,334		297,602,341		18,853,994	6.3%
Net capital assets	$	331,407,192	$	321,124,815	$	10,282,377	3.2%

Additional detailed information regarding capital asset activity may be found in Note 5 to the financial statements.

DEBT ACTIVITY

At the end of FY 2021, the Authority had total long-term debt outstanding of $26.6 million. The debt consists of bonds that are secured by a pledge of passenger facility charge revenues and general airport revenues, and unamortized premium. The decrease of $3.1 million (10.5%) from FY 2020 is a result of normal debt service and amortization of the bond premium.

Outstanding long-term debt	2021	2020	Increase (decrease)	% Increase decrease (-)
Authority revenue bonds -				
Series 2018 subordinate lien	26,475,000	29,540,000	(3,065,000)	-10.4%
Unamortized premium	152,449	214,373	(61,924)	-28.9%
Total long-term debt	26,627,449	29,754,373	(3,126,924)	-10.5%

At the end of FY 2020, the Authority had total long-term debt outstanding of $29.8 million. The debt consists of bonds that are secured by a pledge of passenger facility charge revenues and general airport revenues, and unamortized premium. The decrease of $3.1 million (9.3%) from FY 2019 is a result of normal debt service and amortization of the bond premium.

Outstanding long-term debt	2020	2019	Increase (decrease)	% Increase decrease (-)
Authority revenue bonds -				
Series 2018 subordinate lien	29,540,000	32,520,000	(2,980,000)	-9.2%
Unamortized premium	214,373	285,147	(70,774)	-24.8%
Total long-term debt	29,754,373	32,805,147	(3,050,774)	-9.3%

Additional detailed information regarding long-term debt activity may be found in Note 7 to the financial statements.

DEBT SERVICE COVERAGE

Debt service coverage is a covenant of the Authority's bond resolutions requiring that annual net airport system revenues be maintained at 1.25 times the senior lien debt service requirement and at 1.10 times the subordinate lien debt service requirement. This coverage serves as an indicator to bondholders that funds are available for timely debt service payments. Net airport system revenue is calculated based on the airport use and lease agreement between the Authority and its signatory airlines and includes several additions to and subtractions from revenue and expense amounts reported in the basic financial statements.

In FY 2021, net airport system revenues available for subordinate lien bond debt service was 2.57 times subordinate lien debt service, compared to 2.77 and 3.98 for FY 2020 and FY 2019, respectively. The Authority had no senior lien debt outstanding during fiscal years 2021, 2020 and 2019. Variances in the debt service coverage year-over-year are primarily attributable to normal debt service and changes in net airport system revenue.

AIRLINE RATES AND CHARGES

The Authority has a long-term residual cost airport use agreement with the major passenger airlines (signatory airlines). This agreement provides a method for securing the financial stability of the Authority through a schedule of rates and charges. Following are some of the key rates and charges included in the agreement:

Signatory airline rates and charges			2021		2020		2019
Ticketing	per sq. ft.	$	65.21	$	83.42	$	83.42
Hold room	per gate		95,080.52		121,640.78		121,640.78
Baggage claim	per sq. ft.		61.84		79.11		79.11
Baggage makeup	per sq. ft.		21.73		27.80		27.80
Into plane hydrant flowage	per gallon		N/A		N/A		N/A
Landing fee	per 1,000 lbs.		1.15		1.15		1.32

During FY 2020, the Authority negotiated an extension of the previously expired airline use agreement with the signatory airlines. The extension expired on September 30, 2021. A new extension was executed in October 2021 and continues under the same terms of the previously expired agreement for two additional years, to allow for time to negotiate a new agreement. The current extension will expire on September 30, 2023.

AIRLINE COST PER ENPLANEMENT

Airline Cost Per Enplanement (CPE) is a measure used in the airline and airport industries to show the average cost an airline incurs to enplane one passenger at a given airport. This figure is derived by dividing total passenger airline revenues earned by the airport by the total number of enplaned passengers.

CPE decreased in FY 2021 over FY 2020 by $1.78 per enplanement and increased in FY 2020 over FY 2019 by $4.28 per enplanement. The FY 2021 decrease was mainly a result of revised rates provided to the airlines in the airline use agreement amendment in response to the COVID-19 pandemic. The FY 2020 increase was mainly a result of decreased passenger volumes.

Airline cost per enplanement		2021		2020		2019
Passenger airline revenues	$	11,418,180	$	13,519,451	$	14,299,579
Enplaned passengers		1,137,279		1,144,018		1,897,590
Cost per enplanement	$	10.04	$	11.82	$	7.54

Basic Financial Statements

TUCSON AIRPORT AUTHORITY, INC.

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2021 AND 2020

	2021	2020
Assets:		
Current assets, unrestricted		
Cash and cash equivalents - Note 3	$ 15,281,890	$ 71,520,407
Investments - Note 3	125,667,536	83,278,353
Accounts receivable, net of allowance for doubtful accounts of ($257,121, 2021; $313,380, 2020)	2,317,691	1,976,854
Accrued interest receivable	163,925	185,231
Grants receivable	9,494,054	18,303,874
Inventories	395,531	328,256
Prepaid expenses and other assets	978,463	721,365
Total unrestricted current assets	154,299,090	176,314,340
Current assets, restricted		
Cash and cash equivalents - Note 3	1,833,184	10,132,836
Investments - Note 3	20,923,339	12,423,496
Accounts receivable	876,384	410,268
Accrued interest receivable	43,342	47,465
Total restricted current assets	23,676,249	23,014,065
Total current assets	177,975,339	199,328,405
Noncurrent assets:		
Capital assets, not depreciated	128,329,755	116,735,577
Capital assets, depreciated, net	207,445,038	214,671,615
Total capital assets	335,774,793	331,407,192
Deferred rent	88,995	298,252
Net pension/OPEB asset	1,711,563	-
Total noncurrent assets	337,575,351	331,705,444
Total assets	515,550,690	531,033,849
Deferred outflows of resources:		
Deferred outflows related to pensions/OPEB	4,180,444	6,091,332
	$ 519,731,134	$ 537,125,181

See notes to financial statements.

TUCSON AIRPORT AUTHORITY, INC.

STATEMENTS OF NET POSITION (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

	2021	2020
Liabilities:		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 970,307	$ 1,263,230
Accrued expenses	1,707,257	1,855,990
Unearned revenues	2,832,961	2,733,808
Construction contracts payable	4,088,828	5,205,743
Current portion of bonds payable	1,565,000	1,510,000
Current portion of environmental remediation payable, restricted	5,678,529	4,987,354
Total payable from unrestricted assets	16,842,882	17,556,125
Payable from restricted assets:		
Current portion of environmental remediation payable, restricted	389,951	402,420
Total payable from unrestricted assets	389,951	402,420
Total current liabilities	17,232,833	17,958,545
Noncurrent liabilities:		
Payable from unrestricted assets:		
Bonds payable, net of current portion	25,062,449	28,244,373
Net pension/OPEB liability	12,730,870	47,884,399
Environmental remediation payable, net of current portion	17,852,422	18,306,912
Total payable from unrestricted assets	55,645,741	94,435,684
Total liabilities	72,878,574	112,394,229
Deferred inflows of resources:		
Deferred inflows related to pensions/OPEB	7,457,762	869,169
Total deferred inflows of resources	7,457,762	869,169
Commitments and contingencies		
Net position:		
Net investment in capital assets	309,147,344	301,652,819
Restricted	23,286,271	22,611,645
Unrestricted	106,961,183	99,597,319
Total net position	$ 439,394,798	$ 423,861,783

See notes to financial statements.

TUCSON AIRPORT AUTHORITY, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Operating revenues:		
Landing fees	$ 1,973,618	$ 2,037,041
Space rentals	11,906,284	14,560,223
Land rent	3,705,607	3,789,349
Concession	12,386,429	11,878,384
Airport services	3,354,818	3,611,852
Other operating	3,001,271	2,992,525
Total operating revenues	36,328,027	38,869,374
Operating expenses:		
Personnel	20,489,377	23,272,979
Contractual	7,516,419	6,726,582
Materials and supplies	1,533,550	1,859,050
Other operating expenses	945,036	1,455,350
Total operating	30,484,382	33,313,961
Depreciation and amortization	20,148,835	19,514,629
Operating loss	(14,305,190)	(13,959,216)
Nonoperating revenues (expenses):		
Interest income	485,673	2,330,044
Net increase (decrease) in the fair value of investments	(169,672)	47,394
Passenger facility charges	4,628,663	4,265,140
Interest expense and fiscal charges	(871,573)	(960,095)
Gain (loss) on disposition of capital assets	(22,866)	5,538,871
Environmental remediation expenses	(1,334,189)	(394,453)
Nonoperating grants-in-aid	15,507,895	14,153,997
Other nonoperating revenue	-	58,888
	18,223,931	25,039,786
Income before capital contributions	3,918,741	11,080,570
Capital contributions:		
Federal	10,707,449	15,808,720
State	906,825	954,821
	11,614,274	16,763,541
Change in net position	15,533,015	27,844,111
Net position, beginning of year	423,861,783	396,017,672
Net position, end of year	$ 439,394,798	$ 423,861,783

See notes to financial statements.

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TUCSON AIRPORT AUTHORITY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Receipts from airlines and tenants	$ 35,882,080	$ 41,072,196
Federal and state grants-in-aid	450,465	360,737
Payments to suppliers	(10,753,858)	(10,237,179)
Payments for personnel services	(48,862,167)	(21,799,749)
Payments for environmental remediation	(1,112,484)	(1,276,064)
Net cash provided by (used in) operating activities	(24,395,964)	8,119,941
Cash flows from capital and related federal financing activities:		
Federal and state capital contribution receipts	11,179,259	13,226,314
Acquisition of capital assets	(25,666,340)	(28,386,427)
Proceeds from sale of capital assets	13,860	6,885,682
Principal paid on long-term debt	(3,065,000)	(2,980,000)
Passenger facility charge receipts	4,162,547	4,480,982
Interest paid on long-term debt	(933,894)	(971,981)
Nonoperating grants-in-aid receipts	24,715,786	1,196,887
Net cash provided by (used in) investing activities	10,406,218	(6,548,543)
Cash flows from investing activities:		
Interest on investment	809,727	3,129,849
Maturity and calls of investments	113,751,261	275,531,926
Purchase of investments	(165,109,411)	(229,225,886)
Net cash provided by (used in) financing activities	(50,548,423)	49,435,889
Net increase (decrease) in cash and cash equivalents	(64,538,169)	51,007,287
Cash and cash equivalents, beginning	81,653,243	30,645,956
Cash and cash equivalents, ending	$ 17,115,074	$ 81,653,243

See notes to financial statements.

TUCSON AIRPORT AUTHORITY, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	$ (14,305,190)	$ (13,959,216)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	20,148,835	19,514,629
Payments for environmental remediation	(1,112,484)	(1,276,064)
Changes in operating assets and liabilities:		
Accounts receivable	(94,636)	1,519,059
Inventories	(67,275)	(16,952)
Prepaid expenses	(257,099)	(164,668)
Accounts payable	(292,924)	383,699
Accrued expenses	(148,735)	(109,114)
Unearned revenues	99,153	1,044,500
Net pension liability and related changes in deferred outflows and inflows of resources	(28,365,609)	1,184,068
Total adjustments	(10,090,774)	22,079,157
Net cash provided by (used in) operating activities	$ (24,395,964)	$ 8,119,941
Noncash nonoperating, capital, financing and investing activities:		
Grants receivable included in capital contributions	$ -	$ 5,288,086
Additions to capital assets included in accounts payable	$ 4,088,828	$ 5,205,743
Net appreciation in fair value of investments	$ (169,672)	$ 47,394
Increase in estimate of environmental remediation liability	$ (1,334,189)	$ 394,453

See notes to financial statements.

1. Description of organization:

Tucson Airport Authority, Inc. (TAA or the Airport), a civic, nonprofit corporation as provided for under the laws of the State of Arizona, was established April 12, 1948 for the purpose of developing and promoting transportation and commerce in the State through the operation and maintenance of airports and related facilities adjacent to the City of Tucson in Pima County, Arizona. The TAA's membership consists of up to 60 residents of the airport service area who elect a Board of Directors (Board) which governs the TAA. The TAA has no taxing power and presently operates two airports: Tucson International Airport (Airport) and Ryan Airfield.

The land and improvements composing the Airport are owned by the City of Tucson (City) and are leased by the City to the TAA pursuant to a lease dated October 14, 1948, as amended (Airport Lease). Pursuant to the terms of the Airport Lease, which expires October 14, 2098, the TAA has the obligation to operate, maintain and develop the Airport as a public facility for the accommodation of air commerce. In addition, the Airport Lease provides for certain other rights, powers and obligations as specified therein. Under the terms of the Airport Lease, the TAA has been required to make only nominal payments to date. Upon expiration of the Airport Lease, the Airport and improvements thereon, except as provided for in the Airport Lease, return to the custody of the City.

Five passenger airlines utilizing the Airport have entered into a Signatory Airport Use Agreement with the TAA and are referred to as Signatory Airlines. In general, the Airport Use Agreement provides that fixed rentals are to be paid monthly by each Signatory Airline for use and occupancy of certain terminal space and other facilities. In addition, the Signatory Airlines collectively pay landing fees which are determined so that the aggregate landing fees paid in each fiscal year by all Signatory Airlines, after taking into consideration other revenues of the TAA, is an amount which provides sufficient operating funds to cover annual debt service bonds, annual operating expenses and satisfies other bond resolution requirements. The existing Signatory Airport Use Agreement expires on September 30, 2023.

The accompanying financial statements include the accounts of the TAA. There are no potential component units, nor has the TAA been determined to be a component unit of any other entity.

2. Summary of significant accounting policies:

Measurement focus, basis of accounting and financial statement presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. All transactions are accounted for in a single enterprise fund. Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expensed incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statements of net position. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position, net position is displayed in three components - net investment in capital assets, restricted and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

On proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, (i.e., charges to customers or users who purchase or use the goods or services of that activity). Operating expenses are those that are incurred to provide those goods or services. Nonoperating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless or the measurement focus applied. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. When both restricted and unrestricted resources are available for use, it is the TAA's practice to use restricted resources first, then unrestricted resources as they are needed.

Budgets:

The TAA utilized a budget process for planning purposes with adoption by the Board of Directors. Pursuant to the Airport Lease, the TAA prepares a biennial budget that is presented to the Mayor and Council of the City for informational purposes. An annual budget is also reviewed by representatives of the Signatory Airlines. The budget is prepared in sufficient detail to enable its use by management in monitoring operations.

2. Summary of significant accounting policies (continued):

Estimates and assumptions:

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions. Actual results could differ from those estimates and assumptions.

Cash and cash equivalents and investments:

The TAA's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with a maturity of three months or less when purchased.

Investments are stated at fair value. The TAA's policy is to invest in certificates of deposit, federal treasury and agency securities, cash equivalent mutual funds and repurchase agreements, and to hold such investments to maturity. In accordance with this policy, investments are purchased so that maturities will occur as projected cash flow needs arise in connection with daily operations, construction projects and bond debt service requirements. Investment earnings are comprised primarily of interest earnings.

Fair value measurements:

Fair value is defined as the price to sell an asset or transfer a liability between market participants in an orderly exchange in the principal or most advantageous market for that asset or liability. Mutual funds are valued at quoted market prices. The fair value for the commingled funds and qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

Grant and accounts receivable:

The TAA grants unsecured credit to certain of its tenants, the U.S. government and state and local agencies without interest. Receivables are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables are reduced by an allowance for the estimated portion that is expected to be uncollectible. This estimate is made based on collection history, aviation industry trends and current information regarding the credit worthiness of the debtors. When collection activity results in receipt of amounts previously written off against allowance, revenue is recognized for the amount collected.

2. Summary of significant accounting policies (continued):

Inventories:

Inventories consist of fuel for internal use and resale and operating and maintenance supplies, and are recorded at the lower of cost or market with cost determined on an average cost basis.

Bond issuance costs:

Costs of issuing general airport revenue bonds, except prepaid insurance, are expensed as incurred. Insurance is recorded as a prepaid asset and amortized over the life of the bonds using the effective interest method.

Capital assets:

Capital assets are stated at cost or estimated historical cost if original cost is not available and include expenditures which substantially increase the useful lives of existing assets. Capital assets, includes intangible assets, which are without physical substance that provide economic benefits through the rights and privileges associated with their possession, including aviation navigation easements and computer software. Gifts or contributions of capital assets are recorded at acquisition value as of the date of the acquisition. The TAA's policy is to capitalize assets with a cost of $2,500 or more. Routine maintenance and repairs are expensed as incurred.

Depreciation (including amortization of intangible assets) has been provided using the straight-line method over the following estimated useful lives of the related assets:

Utilities	9 - 20 years
Land improvements	3 - 50 years
Buildings and improvements	3 - 50 years
Intangibles	2 - 25 years
Furniture, fixtures, machinery and equipment	2 - 25 years

Depreciation and amortization of capital assets is recorded as an expense in the statements of revenues, expenses and changes in net position.

Interest incurred on debt obligations to finance construction projects is expensed during the construction period. Interest income from funds obtained through TAA bond proceeds that are restricted for construction purposes is netted against interest expense incurred on the bonds in determining the amount of capitalized expense.

Capital assets are considered impaired is there is a significant unexpected decline in the service utility of the asset. Impaired capital assets that will no longer be used by the TAA are reported at the lower of carrying or fair value. Impairment losses on capital assets that will continue to be used by the TAA are measured using the method that best reflects the diminished service utility of the capital asset.

2. Summary of significant accounting policies (continued):

Restricted assets:

Certain resources of the TAA are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants, Federal Aviation Administration regulations or the environmental consent decree for payment of the respective liabilities.

Compensated absences:

The TAA’s personnel policy provides full-time employees with vacation in varying amounts and, at termination, an employee is paid for accumulated (vested) vacation. Accordingly, compensation for vacation leave is charged to expense as earned by the employee, and accumulated unpaid vacation leave payable upon an employee’s termination is recorded as a current liability.

Long-term obligations:

Long-term debt and other long-term obligations are reported as noncurrent liabilities in the statements of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method.

Deferred outflows and inflows of resources:

The statements of net position include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

Postemployment benefits:

For purposes of measuring the net pensions and other postemployment benefits (OPEB) liabilities or assets, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The plan's investments are reported at fair value.

Net position:

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

2. Summary of significant accounting policies (continued):

Passenger facility charges:

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act (Act), which authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. In May 1991, the Federal Aviation Administration (FAA) issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects which meet at least one of the following criteria: preserve or enhance safety, security or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

The TAA was granted permission to begin collection of a $3 per passenger PFC effective February 1, 1998. In April 2006, the FAA approved the TAA's application to increase the PFC from $3 to $4.50. The increase in rate was effective October 1, 2006. The PFC, less an $0.11 per passenger administration fee charged by the airlines for processing, are collected by the airlines and remitted on a monthly basis to the TAA.

The TAA's position is that PFCs should be treated as revenue because: 1) the TAA earns the PFCs due to a passenger's use of the Airport; 2) after receipt, the TAA has clear title to the funds and is not required to refund or return them; 3) the TAA is entitled to assess late charges on any payment not received by the deadlines specified in the Act; and 4) the fee is reserved for specific purposes as defined in the approval letter received from the FAA. Since the TAA's applications for PFCs were approved as Impose and Use, it is the position of the TAA that revenue should be categorized as nonoperating revenues and are accounted for on the accrual basis.

At the present time, GASB has not released authoritative guidance on the accounting treatment of PFCs.

Environment remediation costs:

The TAA accounts for environmental remediation costs in accordance with Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations.

New accounting standards:

Implementation of the following GASB statements was effective for fiscal year 2021:

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. The TAA implemented this Statement in fiscal year 2021 with no effect.

GASB Statement No. 93, Replacement of Interbank Offered Rates. The requirements of this Statement have multiple effective dates that are applicable based on specific identified paragraphs of the statement. The dates range from June 15, 2020 to June 15, 2021. The TAA implemented this Statement in fiscal year 2021 with no effect.

2. Summary of significant accounting policies (continued):

New accounting standards (continued):

GASB Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. The TAA implemented this Statement in fiscal year 2021.

Implementation of the following GASB statements was effective for fiscal year 2020:

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement were effective for reporting periods beginning after December 15, 2018. The TAA implemented this Statement, and the clarifying guidance in the related Implementation Guide 2019-2, Fiduciary Activities, in fiscal year 2020 with no effect.

GASB Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No, 61. The requirements of this Statement were effective for reporting periods beginning after December 15, 2018. The TAA implemented this Statement in fiscal year 2020 with no effect.

Implementation Guide No. 2018-1, Implementation Guidance Update – 2018 provides clarifying guidance for various previously issued GASB Statements and implementation guides and was effective for years beginning after June 15, 2019. The TAA implemented this Guide in fiscal year 2020 with no effect.

Implementation Guide No. 2019-1, Implementation Guidance Update – 2019 provides clarifying guidance for various previously issued GASB Statements and was effective for years beginning after June 15, 2019. The TAA implemented this Guide in fiscal year 2020 with no effect.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance postponed effective dates by one year for Statements originally applicable to periods beginning after June 15, 2018 and later. The statement was effective upon issuance in May 2020 and was implemented by the TAA in fiscal 2020 with no effect.

The GASB issued pronouncements that may impact future financial presentations. Management has not currently determined what impact implementation of the following statements may have on the financial statements of the TAA.

GASB Statement No. 87, Leases, provides new guidance for recognition of operating leases and the related assets. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

2. Summary of significant accounting policies (continued):

New accounting standards (continued):

GASB Statement No. 91, Conduit Debt Obligations, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issues, arrangements associated with conduit debt obligations, and related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 92, Omnibus 2020. The effective dates of this Statement are as follows:

- The requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, Leases, reinsurance recoveries, and terminology used to refer to derivative instruments were effective upon issuance and were implemented by the TAA in fiscal year 2020 with no effect.

- The requirements related to intra-entity transfers of assets, the applicability of Statements No. 73 and 74, the application of Statement No. 84 to postemployment benefit arrangements and fair value measurements of assets or liabilities, including those associated with asset retirement obligations in a government acquisition, are effective for fiscal years beginning after June 15, 2021. The TAA will implement the requirements in fiscal year 2022.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The TAA will implement this Statement in fiscal year 2023.

GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

3. Cash and investments:

The TAA maintains a cash, cash equivalents and investment pool (Pooled Investment Fund) for all funds except environmental remediation trust assets, which are maintained in a separate investment pool (Master Environmental Trust Fund). The TAA maintains detailed records sufficient to meet any and all requirements and restrictions on both funds, which include PFC and Capital Projects Funds. Additionally, the Board, at its discretion, may internally designate certain funds for specific purposes.

Deposits:

At September 30, 2021 and 2020, deposits with financial institutions have a carrying value of $6,598,116 and $6,272,871 and a bank balance of $7,642,106 and $6,360,697. The difference represents deposits in transit, outstanding checks and other reconciling items at September 30, 2021 and 2020.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the TAA's deposits may not be collateral securities in possession of an outside party.

Investments:

The TAA's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements.

The TAA's investment policy requires that all deposits at financial institutions, certificates of deposit, repurchase agreements and money market mutual funds be insured, registered in the TAA's name or collateralized to 102% and held by the TAA's safekeeping agent in the TAA's name. Collateral is restricted to United States treasuries, agencies or instrumentalities.

The TAA invests in obligations of the U.S. Government and its agencies. Some of these obligations are classified as cash equivalents on the accompanying statements of net position as the amounts are in money market fund pools of such securities. The amount shown in the table below includes all U.S. Government securities, regardless of classification. The TAA's mutual fund investments are invested exclusively in short-term, U.S. Government Treasury obligations. The investments are valued at amortized cost, which approximates market. These assets are classified as cash equivalents.

Interest rate risk:

In accordance with its investment policy, the TAA manages its exposure to interest rate risk by regular (not less than semi-annual) evaluation in conjunction with TAA investment advisors of the TAA's cash position to determine the amount of short and long-term funds available for investment within the context of the entire portfolio and to project the term for such investments. Funds that can be invested for a longer duration are to be invested predominantly in high credit quality U.S. obligations with an individual obligation not to exceed 10 years and a weighted-average maturity of all such investments of not greater than 5 years.

3. Cash and investments (continued):

Credit risk:

In the absence of definitive legal requirements, the TAA has elected to conform to Arizona Revised Statutes (Statutes) concerning the investment of all assets in the Pooled Investment Fund, if such statutes are more restrictive than its investment policy.

The Master Remediation Trust Fund Agreement permits the following investments in the Master Environmental Trust Fund:

1. “Permitted investments” as outlined in the TAA’s bond resolution.
2. Such other prudent investments as are consistent with investment policies adopted by the TAA’s Board of Directors.
3. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933.

Concentration of credit risk:

In order to provide for diversification and reduce market and credit risk exposures, the following diversification parameters have been established in the TAA’s investment policies:

Asset class	Maximum % of portfolio
Certificates of deposit	20 %
U.S. Treasuries, agencies and instrumentalities	100 %
Repurchase agreements	50 %
Bankers' acceptances	10 %
Guaranteed investment contracts	10 %
Money market mutual funds	50 %
State and municipal bonds or notes	20 %

The TAA's investments at September 30, 2021 and 2020 were as follows:

	2021		2020		Rating
Pooled investment fund:					
U.S. Agency securities:					
Federal Farm Credit Bank	$ 7,457,775	5%	$ 33,498,705	35%	AAA
Federal Agricultural Mortgage Corp.	19,465,290	13%	2,062,720	2%	AAA
Federal Home Loan Bank	44,177,925	30%	12,457,550	13%	AAA
Federal Home Loan Mortgage Corp.	27,488,965	19%	22,507,975	24%	AAA
Federal National Mortgage Association	10,015,700	7%	10,000,000	10%	AAA
U.S. Treasury Bills	37,985,220	26%	15,174,899	16%	AAA
	$ 146,590,875	100%	$ 95,701,849	100%	

3. Cash and investments (continued):

The TAA measures and categorizes its investments using fair value measurement guidelines established by GAAP. These guidelines establish a three-tier hierarchy of inputs to valuation techniques used to measure fair value, as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the TAA has the ability to access.

Level 2 - Inputs, other than quoted market prices included within Level 1, are observable, either directly or indirectly.

Level 3 - Inputs are unobservable and significant to the fair value measurement.

Other investments at fair value - Investments for which fair value is measured at net asset value per share (or its equivalent). Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

At September 30, 2021, the fair value of investments measured on a recurring basis is as follows:

	Fair value	Level 1	Level 2	Level 3
Pooled investment fund:				
U.S. Agency securities:				
Federal Farm Credit Bank	$ 7,457,775	$ -	$ 7,457,775	$ -
Federal Agricultural Mortgage Corp.	19,465,290	-	19,465,290	-
Federal Home Loan Bank	44,177,925	-	44,177,925	-
Federal Home Loan Mortgage Corp.	27,488,965	-	27,488,965	-
Federal National Mortgage Association	10,015,700	-	10,015,700	-
U.S. Treasury Bills	37,985,220	-	37,985,220	-
	$146,590,875	$ -	$146,590,875	$ -

3. Cash and investments (continued):

At September 30, 2020, the fair value of investments measured on a recurring basis is as follows:

	Fair value	Level 1	Level 2	Level 3
Pooled investment fund:				
U.S. Agency securities:				
Federal Farm Credit Bank	$ 33,498,705	$ -	$ 33,498,705	$ -
Federal Agricultural Mortgage Corp.	2,062,720	-	2,062,720	-
Federal Home Loan Bank	12,457,550	-	12,457,550	-
Federal Home Loan Mortgage Corp.	22,507,975	-	22,507,975	-
Federal National Mortgage Association	10,000,000	-	10,000,000	-
U.S. Treasury Bills	15,174,899	-	15,174,899	-
	$ 95,701,849	$ -	$ 95,701,849	$ -

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on inputs such as yield curve analysis, pricing of comparable securities, and option adjusted spread valuations to generate a price for a security.

Cash, cash equivalents and investments are classified on the statements of net position at September 30, 2021 and 2020 as follows:

	Cash and cash equivalents		Investments	
	2021	2020	2021	2020
Unrestricted	$ 15,281,890	$ 71,520,407	$125,667,536	$ 83,278,353
Restricted:				
Environmental remediation trust	389,978	402,420		
Capital acquisition:				
Passenger facility charge fund	1,205,441	8,116,940	17,480,382	10,367,630
Capital projects fund	237,765	1,613,476	3,442,957	2,055,866
Total restricted	1,833,184	10,132,836	20,923,339	12,423,496
	$ 17,115,074	$ 81,653,243	$146,590,875	$ 95,701,849

Cash and cash equivalents comprised the following at September 30, 2021 and 2020:

	2021	2020	Ratings
Deposits at financial institutions	$ 6,598,116	$ 6,272,871	N/A
Treasury obligation funds	10,507,037	75,370,922	AAA
Cash on hand	9,921	9,450	N/A
Total cash and cash equivalents	$ 17,115,074	$ 81,653,243	

3. Cash and investments (continued):

At September 30, 2021, the TAA's investments are scheduled to mature as follows:

		Investment maturities (in months)			
	Fair value	Less than 12	12-24	24-36	36-48
Pooled investment fund	$ 146,590,875	$ 22,240,140	$ 27,968,010	$ 81,516,133	$ 14,866,592

In order to address the projected cash flow needs of major airfield projects in progress as of September 30, 2021, management has structured its investments to mature over a period of not more than three years from the date of the statement of net position.

4. Capital assets:

Net investment in capital assets as of September 30, 2021 and 2020 was as follows:

	2021	2020
Capital assets	$ 671,987,112	$ 647,863,527
Less accumulated depreciation	(336,212,319)	(316,456,335)
Less outstanding debt	(26,627,449)	(29,754,373)
	$ 309,147,344	$ 301,652,819

Capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning	Increases	Decreases	Ending
Capital assets, not depreciated:				
Land	$ 51,555,292	$ -	$ -	$ 51,555,292
Air aviation easements	29,990,090	-	-	29,990,090
Artwork	481,798	11,390	-	493,188
Construction in progress	34,708,397	11,582,788	-	46,291,185
Total capital assets, not depreciated	116,735,577	11,594,178	-	128,329,755
Capital assets, depreciated:				
Land improvements	203,936,506	7,452,993	-	211,389,499
Building and improvements	266,982,123	2,261,231	-	269,243,354
Utilities	5,951,108	-	-	5,951,108
Computer software	6,421,357	667,135	-	7,088,492
Furniture, fixtures, machinery and equipment	47,836,856	2,563,765	(415,717)	49,984,904
Total capital assets, depreciated	$ 531,127,950	$ 12,945,124	$ (415,717)	$ 543,657,357

4. Capital assets (continued):

Capital asset activity for the year ended September 30, 2021 was as follows (continued):

	Beginning	Increases	Decreases	Ending
Less accumulated depreciation for:				
Land improvements	$(113,662,328)	$ (9,068,309)	$ -	$(122,730,637)
Building and improvements	(159,987,045)	(7,844,704)	-	(167,831,749)
Utilities	(5,939,586)	(1,921)	-	(5,941,507)
Computer software	(6,064,186)	(162,664)	-	(6,226,850)
Furniture, fixtures, machinery and equipment	(30,803,190)	(3,071,237)	392,851	(33,481,576)
Total accumulated depreciation	(316,456,335)	(20,148,835)	392,851	(336,212,319)
Total capital assets, depreciated, net	214,671,615	(7,203,711)	(22,866)	207,445,038
Total capital assets, net	$ 331,407,192	$ 4,390,467	$ (22,866)	$ 335,774,793

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning	Increases	Decreases	Ending
Capital assets, not depreciated:				
Land	$ 52,751,886	$ 117,831	$ (1,314,425)	$ 51,555,292
Air aviation easements	29,990,090	-	-	29,990,090
Artwork	481,798	-	-	481,798
Construction in progress	13,505,421	26,653,413	(5,450,437)	34,708,397
Total capital assets, not depreciated	96,729,195	26,771,244	(6,764,862)	116,735,577
Capital assets, depreciated:				
Land improvements	199,468,904	4,467,602	-	203,936,506
Building and improvements	263,382,099	3,600,024	-	266,982,123
Utilities	5,951,108	-	-	5,951,108
Computer software	6,345,878	75,479	-	6,421,357
Furniture, fixtures, machinery and equipment	46,849,972	1,679,906	(693,022)	47,836,856
Total capital assets, depreciated	$ 521,997,961	$ 9,823,011	$ (693,022)	$ 531,127,950

4. Capital assets (continued):

Capital asset activity for the year ended September 30, 2020 was as follows (continued):

	Beginning	Increases	Decreases	Ending
Less accumulated depreciation for:				
Land improvements	$(104,882,775)	$ (8,779,553)	$ -	$(113,662,328)
Building and improvements	(152,319,803)	(7,678,318)	11,076	(159,987,045)
Utilities	(5,935,226)	(4,360)	-	(5,939,586)
Computer software	(5,964,166)	(100,020)	-	(6,064,186)
Furniture, fixtures, machinery and equipment	(28,500,372)	(2,963,453)	660,635	(30,803,190)
Total accumulated depreciation	(297,602,342)	(19,525,704)	671,711	(316,456,335)
Total capital assets, depreciated, net	224,395,619	(9,702,693)	(21,311)	214,671,615
Total capital assets, net	$ 321,124,814	$ 17,068,551	$ (6,786,173)	$ 331,407,192

5. Unearned revenues:

The TAA has been awarded certain amounts by the Pima County Superior Court in connection with assets seized by TAA law enforcement officers (forfeiture funds) in narcotics investigations. Such amounts have been recorded as unearned revenues pending approval for expenditure by the Pima County Attorney's Office.

At September 30, 2021 and 2020, the TAA has received rent from certain tenants and certain other payments applicable to the subsequent year. Such amounts have been classified as unearned revenue.

Marketing and refurbishment funds represent unearned revenue received in accordance with the concession agreements that must be used for marketing concessions in the terminals and for future improvements to the concession sites.

A detail of unearned revenues at September 30, 2021 and 2020 follows:

	2021	2020
Forfeiture funds	$ 36,030	$ 35,765
Marketing/refurbishment funds	696,425	562,242
Tenant rent payments	2,100,506	2,135,801
	$ 2,832,961	$ 2,733,808

6. Bonds payable:

	2021	2020
$37,330,000 Subordinate Lien Airport Revenue Refunding Bonds, Series 2018. Bonds due in semi-annual amounts, with principal repayments ranging from $920,000 to $3,345,000, beginning April 1, 2019 through April 1, 2031. Interest is payable semiannually at 3.243%.	$ 26,475,000	$ 29,540,000
Unamortized premium - Series 2018 bonds	152,449	214,373
	26,627,449	29,754,373
Less current portion	1,565,000	1,510,000
	$ 25,062,449	$ 28,244,373

Bonds payable, business type activities for the year ended September 30, 2021:

	Beginning	Increases	Decreases	Ending
2018 subordinate lien airport revenue bonds	$ 29,540,000	$ -	$ (3,065,000)	$ 26,475,000
Plus unamortized premium	214,373	-	(61,924)	152,449
Less current portion	(1,510,000)	-	(55,000)	(1,565,000)
	$ 28,244,373	$ -	$ (3,181,924)	$ 25,062,449

Bonds payable, business type activities for the year ended September 30, 2020:

	Beginning	Increases	Decreases	Ending
2018 subordinate lien airport revenue bonds	$ 32,520,000	$ -	$ (2,980,000)	$ 29,540,000
Plus unamortized premium	285,147	-	(70,774)	214,373
Less current portion	(1,465,000)	-	(45,000)	(1,510,000)
	$ 31,340,147	$ -	$ (3,095,774)	$ 28,244,373

6. Bonds payable (continued):

Future principal and interest payments on the unrefunded portion of the Series 2018 bonds are as follows:

Year ending September 30,	Principal	Interest	Total
2022	$ 1,565,000	$ 429,292	$ 1,994,292
2023	3,215,000	781,806	3,996,806
2024	3,320,000	676,652	3,996,652
2025	3,430,000	568,172	3,998,172
2026	3,540,000	455,966	3,995,966
2027 - 2031	11,405,000	915,256	12,320,256
	$ 26,475,000	$ 3,827,144	$ 30,302,144

The TAA's bond resolutions require periodic transfers from gross operating income to bond funds restricted for the payment of principal and interest. Other transfers to certain accounts are required by the bond resolutions after payment of operating and maintenance expenses. At September 30, 2021 and 2020, the TAA was in compliance with these and other bond resolution covenants.

Under U.S Treasury regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditure on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The TAA's practice is to engage an independent consultant to evaluate outstanding tax-exempt debt for arbitrage liability and the TAA is of the opinion that no liability has been incurred as of September 30, 2021 and 2020.

The debt is secured by a lien on net revenues of the airport system.

7. Pension and other postemployment benefits:

The TAA participates in the Arizona State Retirement System (ASRS) and the Arizona Public Safety Personnel Retirement System (PSPRS). Each system provides defined benefit and other postemployment benefits based on plan provisions. The TAA accounts for the pension and OPEB benefits under GASB 68 and 75, which for presentation and disclosure purposes have been combined, as OPEB amounts are not material to the financial statements.

7. Pension and other postemployment benefits (continued):

At September 30, 2021, the TAA reported in the statements of net position and statements of revenues, expenses, and changes in net position the following amounts related to all Pension/OPEB plans it participants in:

	ASRS	PSPRS - Fire Department	PSPRS - Police Department	Net
Net pension/OPEB liability	$12,730,870	$ (426,421)	$(1,285,142)	
Deferred outflows of resources:				
Difference between projected and actual investment earnings	$ -	$ -	$ -	$ -
Difference between actual and expected experience	207,432	502,061	870,104	1,579,597
Changes of assumptions related to pensions	1,750,759	142,723	218,467	2,111,949
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,223	1,004	6,799	9,026
Contributions subsequent to the measurement date	327,803	63,259	88,810	479,872
Total deferred outflows	$ 2,287,217	$ 709,047	$ 1,184,180	$ 4,180,444
Deferred inflows of resources:				
Difference between actual and expected resources	$ 4,384,922	$ 1,046,783	$ 1,144,741	$ 6,576,446
Changes in proportion and differences between employer contributions and proportionate share of contributions	322,614	1,748	6,782	331,144
Difference between actual and expected experience	174,884	13,232	315,071	503,187
Changes of assumptions related to pensions	46,667	318	-	46,985
Total deferred inflows	4,929,087	1,062,081	1,466,594	7,457,762
Net deferred outflows and (inflows)	$(2,641,870)	$ (353,034)	$ (282,414)	$(3,277,318)
Pension/OPEB expense	$ 914,249	$ 1,575,044	$ 1,546,657	$ 4,035,950

7. Pension and other postemployment benefits (continued):

At September 30, 2020, the TAA reported in the statements of net position and statements of revenues, expenses, and changes in net position the following amounts related to all Pension/OPEB plans it participants in:

	ASRS	PSPRS - Fire Department	PSPRS - Police Department	Net
Net pension/OPEB liability	$17,506,107	$13,515,076	$16,863,216	
Deferred outflows of resources:				
Difference between projected and actual investment earnings	$ 1,771,150	$ 308,846	$ 310,699	$ 2,390,695
Other deferred outflows:				
Difference between actual and expected experience	165,074	480,717	1,264,662	1,910,453
Changes of assumptions related to pensions	48,757	326,892	345,579	721,228
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,409	-	-	1,409
Contributions subsequent to the measurement date	314,268	305,542	447,737	1,067,547
Total other deferred outflows	529,508	1,113,151	2,057,978	3,700,637
Total deferred outflows	$ 2,300,658	$ 1,421,997	$ 2,368,677	$ 6,091,332
Deferred inflows of resources:				
Difference between actual and expected resources	$ 145,617	$ 17,801	$ 65,083	$ 228,501
Changes of assumptions related to pensions	-	1,898	470	2,368
Changes in proportion and differences between employer contributions and proportionate share of contributions	638,300	-	-	638,300
Total deferred inflows	783,917	19,699	65,553	869,169
Pension/OPEB expense	$ 1,512,597	$ 1,681,898	$ 2,067,798	$ 5,262,293

7. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS):

Plan description - Substantially all full-time employees of the TAA (excluding fire and police personnel) participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to ASRS, P.O. Box 33910, Phoenix, AZ 85067-3910, calling 1-800-621-3778, or by visiting https://www.azasrs.gov/content/annual-reports.

Benefits provided - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial membership date: Before July 1, 2011	Initial membership date: On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50 any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50 any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

Retirement benefits for members who joined the ASRS prior to September 13, 2013 are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013 are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

7. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the years ended September 30, 2021 and 2020, active ASRS members and the TAA were required by Statute to contribute at the following actuarially determined rates on members' annual payroll:

	2021	2020
Employee contribution rates:		
Retirement	12.04 %	11.94 %
Long-term disability	0.18 %	0.17 %
	12.22 %	12.11 %
Employer contribution rates:		
Retirement	11.65 %	11.45 %
Health benefit supplement	0.39 %	0.49 %
Long-term disability	0.18 %	0.17 %
	12.22 %	12.11 %

The TAA's contributions to the pension/OPEB plan for the years ended September 30, 2021 and 2020 were $1,380,826 and $1,336,711.

Pension liability - At September 30, 2021 and 2020, the TAA reported a liability of $12,730,870 and $17,506,107 for its proportionate share of the ASRS' net pension/OPEB liability. The net pension/OPEB liability was measured as of June 30, 2021 and 2020 (the total pension/OPEB liability used to calculate the net pension/OPEB liability was determined using updated procedures to roll forward the total pension/OPEB liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021.) The TAA's proportion of the net pension/OPEB liability was based on the TAA's actual contributions to the plan relative to the total of all participating employers' contributions for the years ended June 30, 2021 and 2020. The TAA's proportions, measured as of June 30, 2021 and 2020 were as follows:

	2021	2020	Decrease
Pension	0.10053 %	0.10101 %	(0.00048)%
Health benefit supplement	0.10249 %	0.10295 %	(0.00046)%
Long-term disability	0.10180 %	0.10213 %	(0.00033)%

7. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

For the years ended September 30, 2021 and 2020, the TAA recognized pension/OPEB expense (income) for ASRS of $1,045,978 and $1,512,597. At September 30, 2021 and 2020, the TAA reported deferred outflows of resources and deferred inflows of resources related to pension/OPEBs from the following sources:

	2021		2020	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 207,432	$ 174,884	$ 165,074	$ 145,617
Net difference between projected and actual earnings on pension plan investments	-	4,384,922	1,771,150	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,223	322,614	1,409	638,300
Changes in assumptions	1,750,759	46,667	48,757	-
Contributions subsequent to the measurement date	327,803	-	314,268	-
	$ 2,287,217	$ 4,929,087	$ 2,300,658	$ 783,917

The $327,803 reported as deferred outflows of resources related to TAA contributions subsequent to the measurement date will be recognized as a reduction of the net pension/OPEB liability in the year ending September 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pension/OPEBs, including those for contributions subsequent to the measurement date, will be recognized in pension/OPEB expense as follows:

7. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

Year ending September 30,	
2022	$ (330,564)
2023	(59,604)
2024	(1,014,251)
2025	(1,545,299)
2026	(10,637)
Thereafter	(9,318)
	$ (2,969,673)

The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Pension discount rate and OPEB investment rate of return	7.0%
Projected salary increases - pension	2.9% - 8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates - pension and health	2017 SRA Scale U-MP
Recovery rates - long term disability	2012 GLDT

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension/OPEB plan investments was determined to be 7.0% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

7. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term contribution to expected return
Equity	50 %	2.45 %
Fixed income - credit	20 %	1.04 %
Fixed income - interest rate sensitive	10 %	0.07 %
Real estate	20 %	1.14 %
	100 %	4.70 %

Discount rate - The discount rate used to measure the ASRS total pension/OPEB liability was 7.0%, which is more than the long-term expected rate of return of 4.7%. The discount rate decreased by 0.5% form the prior year. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the Retirement Funds' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension/OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the TAA's proportionate share of the ASRS net pension/OPEB liability to changes in the discount rate - The following table presents the TAA's proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.0%, as well as what the TAA's proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% decrease (6.0%)	Current discount rate (7.0%)	1% increase (8.0%)
TAA's proportionate share of the net pension/OPEB liability	$ 20,473,706	$ 12,730,870	$ 6,271,834

Detailed information about the pension/OPEB plan's fiduciary net position is available in the separately issued ASRS financial report.

7. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS):

Plan description - Employees of the TAA who are employed in either police of firefighting capacities and work at least 40 hours a week for more than 6 months a year participate in the Arizona Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension/OPEB plan, an agent multiple-employer defined health insurance premium benefit (OPEB) plan (agent plans) and a cost sharing multiple-employer plan (tier 3). The PSPRS acts as a common investment and administrative agent that is jointly administered by the Board of Trustees ("the Board") and 237 local boards. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing Public Safety Personnel Retirement System, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm.

Benefits provided - The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms as well as employee and employer contribution rates according to a member's membership date. These membership dates fall within three separately identified groups referred to as Tiers. Those Tiers and the corresponding membership dates are outlined in the following table:

	Tier 1	Tier 2	Tier 3
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or after July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit percent:			
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	

7. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

	Tier 1	Tier 2	Tier 3
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or after July 1, 2017
Accidental disability retirement	50% or normal retirement, whichever is greater		
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
Survivor benefit:			
Retired members	80% to 100% of retired member's pension benefit		
Active member	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from $100 per month to $260 per month depending on the age of the member and dependents.

At September 30, 2021, the number of employees covered by the PSPRS agent pension plan benefit terms was as follows:

	Fire Department	Police Department
Retirees and beneficiaries	19	27
Inactive, non-retired members	2	5
Active members	15	19
	36	51

7. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Contributions - State statutes establish the pension/OPEB contribution requirements for active PSPRS employees. In accordance with State statutes, employer contribution requirements for PSPRS pension/OPEB and health insurance premium benefits are determined by the annual actuarial valuations. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the Plan years ended June 30, 2021 and 2020, the TAA and active PSPRS members were required to contribute at the following rates, and the TAA's contributions to the pension/OPEB plan, which included the required contributions for the health insurance premium benefit, were as follows:

	Fire		Police	
	2021	2020	2021	2020
Employer contribution rates (Tier 1 & 2):	95.19%	99.85%	97.55%	95.30%
Employer health contribution rates	0.00%	0.00%	0.02%	0.22%
Employer pension contributions rates	95.19%	99.85%	95.53%	95.08%
Employer contributions	$13,031,387	$1,227,825	$16,507,129	$1,554,910
Employer contributions rates Tier 3	89.39%	94.91%	92.43%	89.25%
Employer pension legacy cost rates	79.45%	84.97%	82.49%	79.31%
Employer health contributions rates	0.26%	0.26%	0.26%	0.26%
Employer pension contributions rates	9.68%	9.68%	9.68%	9.68%
Employee contribution rates:				
Tier 1	7.65%	7.65%	7.65%	7.65%
Tier 2	11.65%	11.65%	11.65%	11.65%
Tier 3	9.94 %	9.94 %	9.94 %	9.94 %

Liability - At September 30, 2021 and 2020, the TAA reported the following net pension/OPEB liabilities (assets) for its PSPRS pension/OPEB plans:

	Fire		Police	
	2021	2020	2021	2020
Net pension/OPEB liability (asset)	$ (426,421)	$ 13,515,076	$ (1,285,142)	$ 16,863,216

The net pension/OPEB liabilities were measured as of June 30, 2021 and 2020, and the total pension/OPEB liability used to calculate the net pension/OPEB liability (asset) was determined by an actuarial valuation as of these dates.

7. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Actuarial assumptions - The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Asset valuation method	Fair value of assets
Actuarial cost method	Entry age normal
Investment rate of return	7.3%, net of investment and administrative expenses
Payroll growth	3.5%
Inflation	2.22%
Salary increases	3.50%-7.50%, including inflation
Mortality rates	RP-2014 mortality table projected 1 year backwards to 2013 with MP-2014 (110% of female healthy annuitant mortality table). Future mortality improvements are assumed each year using 75% of scale MP-2016
Permanent benefit increases	The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published in the Unites States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on pension/OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension/OPEB plan investment expenses and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation

7. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

For each major asset class that is included in the pension/OPEB plan's target asset allocation as of June 30, 2021, estimates are summarized in the following table:

Asset class	Target allocation	Long-term expected geometric real rate of return
U.S. public equity	24 %	4.08 %
International public equity	16 %	5.20 %
Global private equity	20 %	7.67 %
Other assets (capital appreciation)	7 %	5.43 %
Core bonds	2 %	0.42 %
Private credit	20 %	5.74 %
Diversifying strategies	10 %	3.99 %
Cash - Mellon	1 %	(0.31)%
	100 %	

Discount rate - At June 30, 2020, the discount rate used to measure the total pension/OPEB liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability (asset).

7. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Changes in the net pension liability - Tucson Airport Authority Fire Department 2021

Measurement date June 30, 2021

	Total pension / OPEB liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balances at June 30, 2020	$ 19,446,317	$ 5,931,241	$ 13,515,076
Adjustment to beginning of year	-	(32,139)	32,139
Changes for the year:			
Service cost	265,461	-	265,461
Interest on the total pension liability	1,397,401	-	1,397,401
Differences between expected and actual experience in the measurement of the pension liability	212,178	-	212,178
Contributions - employer	-	13,262,977	(13,262,977)
Contributions - employee	-	91,288	(91,288)
Net investment income	-	2,493,309	(2,493,309)
Benefit payments, including refunds of employee contributions	(1,138,617)	(1,138,617)	-
Administrative expense	-	(11,137)	11,137
Effect of tier 3 plans	-	-	(11,139)
Other changes	-	1,100	(1,100)
Net changes	736,423	14,698,920	(13,973,636)
Balances at June 30, 2021	$ 20,182,740	$ 20,598,022	$ (426,421)

7. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Changes in the net pension liability - Tucson Airport Authority Fire Department 2020

Measurement date June 30, 2020

	Total pension / OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (asset) (a) - (b)
Balances at June 30, 2020	$ 18,713,814	$ 5,689,191	$ 13,024,623
Changes for the year:			
Service cost	272,170	-	272,170
Interest on the total pension liability	1,362,911	-	1,362,911
Differences between expected and actual experience in the measurement of the pension liability	233,963	-	233,963
Contributions - employer	-	1,216,474	(1,216,474)
Contributions - employee	-	94,483	(94,483)
Net investment income	-	73,638	(73,638)
Benefit payments, including refunds of employee contributions	(1,136,541)	(1,136,541)	-
Administrative expense	-	(6,004)	6,004
Net changes	732,503	242,050	490,453
Balances at June 30, 2021	$ 19,446,317	$ 5,931,241	$ 13,515,076

7. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Changes in the net pension liability - Tucson Airport Authority Police Department 2021

Measurement date June 30, 2021

	Total pension / OPEB liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balances at June 30, 2020	$ 22,558,814	$ 5,695,600	$ 16,863,214
Adjustment to beginning of year	-	(46,872)	46,872
Changes for the year:			
Service cost	368,844	-	368,844
Interest on the total pension liability	1,626,662	-	1,626,662
Differences between expected and actual experience in the measurement of the pension liability	(357,523)	-	(357,523)
Contributions - employer	-	16,845,168	(16,845,168)
Contributions - employee	-	261,526	(261,526)
Net investment income	-	2,727,376	(2,727,376)
Benefit payments, including refunds of employee contributions	(1,289,241)	(1,289,241)	-
Effect of Tier 3 plans	-	-	(11,197)
Administrative expense	-	(12,056)	12,056
Net changes	348,742	18,532,773	(18,195,228)
Balances at June 30, 2021	$ 22,907,556	$ 24,181,501	$ (1,285,142)

7. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Changes in the net pension liability - Tucson Airport Authority Police Department 2020

Measurement date June 30, 2020

	Total pension / OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (asset) (a) - (b)
Balances at June 30, 2020	$ 21,440,143	$ 5,910,060	$ 15,530,083
Changes for the year:			
Service cost	279,588	-	279,588
Interest on the total pension liability	1,538,437	-	1,538,437
Differences between expected and actual experience in the measurement of the pension liability	1,160,712	-	1,160,712
Contributions - employer	-	1,452,764	(1,452,764)
Contributions - employee	-	123,872	(123,872)
Net investment income	-	75,091	(75,091)
Benefit payments, including refunds of employee contributions	(1,860,066)	(1,860,066)	-
Administrative expense	-	(6,121)	6,121
Net changes	1,118,671	(214,460)	1,333,131
Balances at June 30, 2021	$ 22,558,814	$ 5,695,600	$ 16,863,214

Sensitivity of the Plan's net pension liability (asset) to changes in the discount rate - The following table presents the Plan's net pension/OPEB liability (asset) calculated using the single discount rate of 7.30%, as well as what the Plan's net pension/OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.30%) or 1 percentage point higher (8.30%) than the current rate:

	1% decrease (6.30%)	Current discount rate (7.30%)	1% increase (8.30%)
TAA's net pension/OPEB liability (asset) - Fire Department	$ 2,130,062	$ (426,421)	$ (2,513,761)
TAA's net pension/OPEB liability (asset) - Police Department	$ 1,557,641	$ (1,285,142)	$ (3,617,412)

Plan fiduciary net position - Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial report.

7. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Fire Department Pension/OPEB expense and deferred outflows/inflows of resource - For the years ended September 30, 2021 and 2020, the TAA recognized pension expense for PSPRS Fire of $1,575,044 and $1,681,898. At September 30, 2021 and 2020, the TAA reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	2021		2020	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 502,061	$ 13,232	$ 480,717	$ 17,801
Changes in assumptions	142,723	318	326,892	1,898
Net difference between projected and actual earnings on plan investments	-	1,046,783	308,846	-
Contributions subsequent to the measurement date	63,259	-	305,542	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,004	1,748	-	-
	$ 709,047	$ 1,062,081	$ 1,421,997	$ 19,699

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from TAA contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending September 30,	Pension
2023	$ 43,863
2024	14,753
2025	(156,256)
2026	(318,653)
	$ (416,293)

7. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Police Department Pension/OPEB expense and deferred outflows/inflows of resource - For the years ended September 30, 2021 and 2020, the TAA recognized pension expense for PSPRS Police of $1,546,657 and $2,067,798. At September 30, 2021 and 2020, the TAA reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	2021		2020	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 870,104	$ 315,071	$ 1,264,662	$ 65,083
Changes in assumptions	218,467	-	345,579	470
Net difference between projected and actual earnings on plan investments	-	1,144,741	310,699	-
Contributions subsequent to the measurement date	88,810	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,799	6,782	447,737	-
	$ 1,184,180	$ 1,466,594	$ 2,368,677	$ 65,553

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from TAA contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending September 30,	Pension
2023	$ 181,530
2024	175,103
2025	(372,676)
2026	(355,181)
	$ (371,224)

8. Passenger Facility Charges:

Passenger Facility Charges (PFCs) are collected in accordance with FAA regulations allowing airports to impose a charge on enplaning passengers. As described in the summary of significant accounting policies, the TAA was granted permission to begin collection of such charges in February 1998. The total amount of PFCs to be collected under this FAA approved application was based on the estimated costs of approved PFC projects. The FAA approval letter provided total aggregate collection authority of $101,234,420.

In April 2006, the FAA approved an amendment to the approved PFC application. The amendment approved an increase in the collection level from $3.00 to $4.50 for the following projects of the TAA: terminal expansion, land acquisition for airport expansion and land acquisition for noise mitigation. The increase in rate was effective October 1, 2006. In June 2006, the FAA approved an additional application to include the concourse renovation project. On December 15, 2017, the TAA received approval under a new PFC application for the Terminal Optimization Project. The total effect of approved applications and amendments results in total aggregate collection authority of $179,290,015. During the years ended September 30, 2021 and 2020, the TAA earned PFCs of $4,628,663 and $4,265,140.

9. Risk management:

The TAA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The TAA carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Other than for certain environmental remediation liabilities as discussed in Note 11, the financial statements do not include any liability for uninsured claims at September 30, 2021 and 2020.

10. Commitments:

Commitments for contractual services for federally funded and other construction projects at September 30, 2021 totaled approximately $56,174,000. These commitments will be funded in whole or in part by federal and state grants of $32,310,000 and the TAA’s previously issued revenue bonds and TAA funds, as necessary, of $23,864,000.

10. Commitments (continued):

Operating leases:

The TAA is the lessor of various land, facilities and equipment within the Airport System. Lease contracts are generally written with noncancelable terms of up to 30 years. Costs and related accumulated depreciation of property under leases are not practically determinable as the majority of the leases relate only to portions of buildings. A summary of minimum noncancelable rentals under operating leases at September 30, 2021 follows:

The future minimum lease payments under the operating leases are as follows:

Year ending September 30,	
2022	$ 8,617,397
2023	7,047,178
2024	5,437,532
2025	5,052,670
2026	4,883,939
Thereafter	53,303,616
	$ 84,342,332

Several lease agreements have provisions for contingent rentals calculated on the tenant's gross revenue is greater than contractual minimum annual guarantees (MAGs). In response to travel restrictions related to the COVID-19 pandemic, the TAA waived the MAGs for lessees beginning in April 2020. Because contingent rental revenue represents amounts in excess of guaranteed minimums, with no minimums in effect, all concessions revenue recognized after the waiver was classified as contingent revenue. The amount of contingent rental revenue under these leases totaled $1,343,485 and $407,189 for the years ended September 30, 2021 and 2020, and is included in concession revenues.

11. Environmental matters, litigation and contingencies:

Groundwater Remediation ("TARP Consent Decree") and Soils/Vadose Zone Remediation (“Soils Consent Decree”):

In 1991, the TAA and other obligated parties entered into the Tucson Airport Remediation Project (TARP) Consent Decree with the Environmental Protection Agency (EPA). The TARP Consent Decree requires performance of and funding for certain groundwater remediation activities.

In 1999, the TAA and other obligated parties entered into another Consent Decree (the "Soils Consent Decree") with the EPA. The Soils Consent Decree requires performance of and funding for certain soil and shallow groundwater remediation activities on TAA property.

11. Environmental matters, litigation and contingencies (continued):

Groundwater Remediation ("TARP Consent Decree") and Soils/Vadose Zone Remediation (“Soils Consent Decree”) (continued):

In 1999, the TAA and several other parties entered into a settlement pursuant to which other parties paid certain amounts to TAA, there was an allocation of responsibility for obligations under both of the above-referenced Consent Decrees, and the TAA funded a trust for the purpose of providing primary funding for the TAA’s financial responsibilities under the Consent Decrees. The Trust is referred to as the “Environmental Remediation Trust.”

As a result of the 1999 settlement, the TAA is obligated to pay 100% of the costs associated with the TARP Consent Decree and 80% of the costs of the work required under the Soils Consent Decree. Two other parties are each obligated to pay 10% of the costs of the work required under the Soils Consent Decree, for a combined obligation of 20%. It is assumed that in the future these two parties will continue to meet their payment obligations for purposes of calculating the TAA’s environmental liability.

The liability for remediation obligations is calculated using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible expected amounts – the estimated mean or average. This technique uses all expectations about possible cash flows. Estimated future cash outlays are based on existing technologies currently in use to perform the required remediation, stated at current value. These outlays include all operation and maintenance costs, remediation monitoring costs (including post-remediation monitoring), regulatory oversight costs, and facility construction costs. These costs are subject to potentially significant future price increases or decreases for materials, utilities and labor.

Changes in the estimated environmental remediation liability for the years ended September 30, 2020 and 2019 follow:

	2021	2020
Environmental remediation liability, beginning of year	$ 23,696,686	$ 24,575,777
Current year expense	1,334,189	394,453
Investment earnings on environmental remediation trust assets	2,511	2,520
Current year payments	(1,112,484)	(1,276,064)
Environmental remediation liability, end of year	$ 23,920,902	$ 23,696,686
Environmental remediation liability:		
Current - payable from unrestricted assets	$ 5,678,529	$ 4,987,354
Current - payable from restricted assets	389,951	402,420
Long-term - payable from unrestricted assets	17,852,422	18,306,912
	$ 23,920,902	$ 23,696,686

11. Environmental matters, litigation and contingencies (continued):

1,4 Dioxane Remedial Investigation and Feasibility Study:

In a letter dated July 17, 2008, the U.S. EPA requested that the TAA, the City of Tucson, the U.S. Air Force, Boeing Corporation and Raytheon Corporation conduct a Remedial Investigation and Feasibility Study regarding 1,4 Dioxane in the regional groundwater aquifer near Tucson International Airport. This contaminant is not addressed in or covered by the TARP Consent Decree. The TAA has taken the position that it is not responsible for this contamination and another party has agreed to perform a substantial portion of the work demanded. The TAA is currently unable to determine the probability of an unfavorable outcome, if any, related to this matter.

Landfill Investigation:

On April 18, 2007, the Arizona Department of Environmental Quality (“ADEQ”) sent the TAA a request for information in connection with ADEQ’s investigation of groundwater contamination near the Broadway North Landfill (“BNL”) in Tucson, which is part of the Broadway-Pantano Water Quality Assurance Fund Registry Site (“Site”). Similar requests were also sent to many other entities. The request related to waste purportedly generated by the TAA and its tenants at Tucson International Airport and Ryan Airfield between 1961 and 1972 and that ADEQ alleged may have been transported to BNL. On May 15, 2007, ADEQ sent a letter to the TAA and many other entities notifying each entity that it may be a responsible party for the Site and that a remedial investigation and feasibility study designed to identify a remedy were being conducted. The TAA is unable to determine the probability of an unfavorable outcome, if any, related to this matter.

Federal and State Grants:

All federal and state grants are subject to audit by the granting agencies for compliance with applicable grant requirements. The TAA anticipates that the amount, if any, of disallowed grant expenditures in the event of granting agency audits would be immaterial.

Legal proceedings:

From time to time, the TAA may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the TAA's financial statements.

Other contingencies:

The TAA is involved in other claims in the ordinary course of business. In the opinion of management, based on consultations with legal counsel, these matters are considered immaterial to the TAA or will be covered by insurance.

11. Environmental matters, litigation and contingencies (continued):

Other contingencies (continued):

The TAA has significant contracts and leases that include contingent amounts due to the TAA based upon revenues of the lessees and concessionaires. The TAA monitors such agreements and includes adjustments in the revenues earned under the contracts when such amounts are collected or a negotiated settlement has been reached with the respective lessee/concessionaire

12. Concentrations:

Concession fees from the airport rental car operations amounted to approximately 16% and 12% of total operating revenues for the years ended September 30, 2021 and 2020. Net revenues from the airport parking lot operations amounted to approximately 13% and 12% of total operating revenues in the years ended September 30, 2021 and 2020.

13. Restricted net position:

Restricted net position includes restricted assets required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements; less liabilities payable from these assets. For fiscal years September 30, 2021 and 2020, restricted net position is as follows:

September 30, 2021	Environmental trust	Debt service	Capital projects	Total restricted
Assets:				
Cash and cash equivalents	$ 389,978	$ -	$ 1,443,206	$ 1,833,184
Investments	-	-	20,923,339	20,923,339
Accounts receivable	-	-	876,384	876,384
Accrued interest receivable	-	-	43,342	43,342
Total restricted assets	$ 389,978	$ -	$ 23,286,271	$ 23,676,249
Liabilities:				
Environmental remediation payable	$ 389,978	$ -	$ -	$ 389,978
Total restricted net position	$ -	$ -	$ 23,286,271	$ 23,286,271

13. Restricted net position (continued):

September 30, 2020	Environmental trust	Debt service	Capital projects	Total restricted
Assets:				
Cash and cash equivalents	$ 402,420	$ -	$ 9,730,416	$ 10,132,836
Investments	-	-	12,423,496	12,423,496
Accounts receivable	-	-	410,268	410,268
Accrued interest receivable	-	-	47,465	47,465
Total restricted assets	$ 402,420	$ -	$ 22,611,645	$ 23,014,065
Liabilities:				
Environmental remediation payable	$ 402,420	$ -	$ -	$ 402,420
Total restricted net position	$ -	$ -	$ 22,611,645	$ 22,611,645

Required Supplementary Information

TUCSON AIRPORT AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - COST SHARING PLAN (ASRS)

(2013 - 2012 information not available)

Reporting date (September 30) (Measurement date (June 30))	2021 (2021)	2020 (2020)	2019 (2019)	2018 (2018)	2017 (2017)	2016 (2016)	2015 (2015)	2014 (2014)	2013 (2013)	2012 (2012)
Authority's proportion of the net pension liability	0.100530%	0.101010%	0.106740%	0.108140%	0.105060%	0.110640%	0.116260%	0.120267%	0.000000%	0.000000%
Authority's proportionate share of the net pension liability	$ 13,209,196	$ 17,501,518	$ 15,531,912	$ 15,081,724	$ 16,366,300	$ 17,858,407	$ 18,108,646	$ 17,795,379	$ -	$ -
Authority's covered payroll	11,255,969	10,979,377	11,198,483	10,748,407	10,234,127	10,309,250	10,708,240	10,840,726	-	-
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	117.35%	159.40%	138.70%	140.32%	159.92%	173.23%	169.11%	164.15%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	78.58%	69.33%	73.24%	73.00%	69.92%	67.06%	68.08%	69.49%	0.00%	0.00%

See accompanying notes to required supplementary information.

TUCSON AIRPORT AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - COST SHARING PLAN (ASRS)

(2016 - 2012 information not available)

Health Benefit Subsidy (HBS)

Reporting date (September 30) (Measurement date (June 30))	2021 (2021)	2020 (2020)	2019 (2019)	2018 (2018)	2017 (2017)	2016 (2016)	2015 (2015)	2014 (2014)	2013 (2013)	2012 (2012)
Authority's proportion of the net pension liability	0.102490%	0.102950%	0.108880%	0.109890%	0.106520%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
Authority's proportionate share of the net pension liability	$ (499,340)	$ (72,888)	$ (30,089)	$ (39,570)	$ (57,989)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	11,255,969	10,979,377	11,198,483	10,748,407	10,234,127	-	-	-	-	-
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	-4.44%	-0.66%	-0.27%	-0.37%	-0.57%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	130.24%	104.33%	101.62%	102.00%	103.57%	0.00%	0.00%	0.00%	0.00%	0.00%

Long-term Disability (LTD)

Reporting date (September 30) (Measurement date (June 30))	2021 (2021)	2020 (2020)	2019 (2019)	2018 (2018)	2017 (2017)	2016 (2016)	2015 (2015)	2014 (2014)	2013 (2013)	2012 (2012)
Authority's proportion of the net pension liability	0.101800%	0.102130%	0.108170%	0.108620%	0.105590%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
Authority's proportionate share of the net pension liability	$ 21,014	$ 77,477	$ 70,467	$ 56,754	$ 38,274	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	11,255,969	10,979,377	10,748,407	10,748,407	10,234,127	-	-	-	-	-
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	18.67%	0.71%	0.66%	0.53%	0.37%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	90.38%	68.01%	72.85%	78.00%	84.44%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to required supplementary information.

TUCSON AIRPORT AUTHORITY
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
AGENT RETIREMENT PLAN (PSPRS) – Fire Department

(2013 - 2012 information not available)

Reporting date (September 30)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
(Measurement date (June 30))	(2021)	(2020)	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)	(2013)	(2012)
Total pension liability										
Service cost	$ 260,136	$ 266,691	$ 156,487	$ 237,359	$ 288,240	$ 226,588	$ 214,614	$ 217,088	$ -	$ -
Interest on total pension liability	1,378,221	1,345,422	1,263,139	1,221,934	1,144,049	1,114,931	1,113,123	926,805	-	-
Benefit changes	-	-	-	-	189,346	237,906	-	362,124	-	-
Difference between expected and actual experience	186,264	212,900	394,075	127,803	(1,002)	(88,660)	(347,529)	(59,196)	-	-
Assumption changes	-	-	354,435	-	608,287	563,682	-	1,746,767	-	-
Benefit payments, including refunds of employee contributions	(1,120,205)	(1,119,994)	(1,212,840)	(923,319)	(966,355)	(1,102,101)	(824,231)	(813,515)	-	-
Net change in total pension liability	704,416	705,019	955,296	663,777	1,262,565	952,346	155,977	2,380,073	-	-
Total pension liability, beginning	19,179,700	18,474,681	17,519,385	16,855,608	15,593,043	14,640,697	14,484,720	12,104,647	-	-
Total pension liability, ending (a)	$ 19,884,116	$ 19,179,700	$ 18,474,681	$ 17,519,385	$ 16,855,608	$ 15,593,043	$ 14,640,697	$ 14,484,720	$ -	$ -
Plan fiduciary net position										
Contributions - employer	$ 13,262,977	$ 1,216,474	$ 1,006,544	$ 862,196	$ 850,516	$ 839,895	$ 527,805	$ 497,883	$ -	$ -
Contributions - employee	91,288	94,483	92,740	89,302	132,556	133,036	120,005	111,010	-	-
Pension plan net investment income	2,405,826	69,458	279,715	346,270	529,903	26,592	164,399	570,917	-	-
Benefit payments, including refunds of employee contributions	(1,120,205)	(1,119,994)	(1,212,840)	(923,319)	(966,355)	(1,102,101)	(824,231)	(813,515)	-	-
Hall/Parker Settlement	-	-	-	(207,683)	-	-	-	-	-	-
Pension plan administrative expense	(10,777)	(5,664)	(5,860)	(5,970)	(5,089)	(4,227)	(4,385)	-	-	-
Other	1,100	-	-	59	57,028	58,877	(115,462)	(261,027)	-	-
Net change in fiduciary net position	14,630,209	254,757	160,299	160,855	598,559	(47,928)	(131,869)	105,268	-	-
Plan fiduciary net position, beginning	5,607,863	5,353,106	5,192,807	5,031,952	4,433,393	4,481,321	4,613,190	4,507,922	-	-
Adjustment to beginning of year	(32,139)	-	-	-	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	$ 20,205,933	$ 5,607,863	$ 5,353,106	$ 5,192,807	$ 5,031,952	$ 4,433,393	$ 4,481,321	$ 4,613,190	$ -	$ -
Net pension liability (asset), ending (a) - (b)	$ (321,817)	$ 13,571,837	$ 13,121,575	$ 12,326,578	$ 11,823,656	$ 11,159,650	$ 10,159,376	$ 9,871,530	$ -	$ -
Plan fiduciary net position as a percentage of total pension liability	101.62%	29.24%	28.98%	29.64%	29.85%	28.43%	30.61%	31.85%	0.00%	0.00%
Covered payroll	$ 1,054,218	$ 1,120,421	$ 1,140,342	$ 1,051,655	$ 1,229,168	$ 1,174,641	$ 1,098,649	$ 1,013,577	$ -	$ -
Net pension liability as a percentage of covered valuation payroll	-30.53%	1211.32%	1150.67%	1172.11%	961.92%	950.05%	924.72%	973.93%	0.00%	0.00%

See accompanying notes to required supplementary information.

TUCSON AIRPORT AUTHORITY
MULTIYEAR SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
AGENT RETIREMENT PLAN (PSPRS) – Fire Department

(2016 - 2012 information not available)

Reporting date (September 30)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
(Measurement date (June 30))	(2021)	(2020)	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)	(2013)	(2012)
Total OPEB liability										
Service cost	$ 5,325	$ 5,479	$ 3,470	$ 3,365	$ 4,302	$ -	$ -	$ -	$ -	$ -
Interest on total OPEB liability	19,180	17,489	18,965	18,546	16,689	-	-	-	-	-
Benefit changes	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	25,914	21,063	(26,260)	(248)	30,351	-	-	-	-	-
Assumption changes	-	-	1,739	-	(8,218)	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(18,412)	(16,547)	(23,179)	(12,415)	(16,675)	-	-	-	-	-
Net change in total OPEB liability	32,007	27,484	(25,265)	9,248	26,449	-	-	-	-	-
Total OPEB liability, beginning	266,617	239,133	264,398	255,150	228,701	-	-	-	-	-
Total OPEB liability, ending (a)	$ 298,624	$ 266,617	$ 239,133	$ 264,398	$ 255,150	$ -	$ -	$ -	$ -	$ -
Plan fiduciary net position										
Contributions - employer	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions - employee	-	-	-	-	-	-	-	-	-	-
OPEB plan net investment income	87,483	4,180	17,948	22,786	35,872	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(18,412)	(16,547)	(23,179)	(12,415)	(16,675)	-	-	-	-	-
Hall/Parker Settlement	-	-	-	-	-	-	-	-	-	-
OPEB plan administrative expense	(360)	(340)	(310)	(347)	(318)	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in fiduciary net position	68,711	(12,707)	(5,541)	10,024	18,879	-	-	-	-	-
Plan fiduciary net position, beginning	323,378	336,085	341,626	331,602	312,723	-	-	-	-	-
Plan fiduciary net position, ending (b)	$ 392,089	$ 323,378	$ 336,085	$ 341,626	$ 331,602	$ -	$ -	$ -	$ -	$ -
Net OPEB liability (asset), ending (a) - (b)	$ (93,465)	$ (56,761)	$ (96,952)	$ (77,228)	$ (76,452)	$ -	$ -	$ -	$ -	$ -
Plan fiduciary net position as a percentage of total OPEB liability	131.30%	121.29%	140.54%	129.21%	129.96%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 1,054,218	$ 1,120,421	$ 1,140,342	$ 1,051,655	$ 1,229,168	$ -	$ -	$ -	$ -	$ -
Net OPEB liability as a percentage of covered valuation payroll	-8.87%	-5.07%	-8.50%	-7.34%	-6.22%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to required supplementary information.

TUCSON AIRPORT AUTHORITY
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
AGENT RETIREMENT PLAN (PSPRS) – Police Department

(2013 - 2012 information not available)

Reporting date (September 30) (Measurement date (June 30))	2021 (2021)	2020 (2020)	2019 (2019)	2018 (2018)	2017 (2017)	2016 (2016)	2015 (2015)	2014 (2014)	2013 (2013)	2012 (2012)
Total pension liability										
Service cost	$ 362,628	$ 273,444	$ 180,206	$ 281,283	$ 313,234	$ 253,073	$ 258,524	$ 256,981	$ -	$ -
Interest on total pension liability	1,608,573	1,518,631	1,412,577	1,369,937	1,267,411	1,213,721	1,171,149	965,854	-	-
Benefit changes	-	-	-	-	230,905	212,521	-	342,709	-	-
Difference between expected and actual experience	(322,419)	1,190,195	608,502	(2,801)	213,612	163,868	195,045	178,695	-	-
Assumption changes	-	-	572,330	-	672,391	607,920	-	1,778,168	-	-
Benefit payments, including refunds of employee contributions	(1,272,921)	(1,843,580)	(1,023,805)	(1,199,709)	(935,761)	(1,150,547)	(1,008,807)	(807,083)	-	-
Net change in total pension liability	375,861	1,138,690	1,749,810	448,710	1,761,792	1,300,556	615,911	2,715,324	-	-
Total pension liability, beginning	22,309,081	21,170,391	19,420,581	18,971,871	17,210,079	15,910,153	15,294,242	12,578,918	-	-
Total pension liability, ending (a)	$ 22,684,942	$ 22,309,081	$ 21,170,391	$ 19,420,581	$ 18,971,871	$ 17,210,709	$ 15,910,153	$ 15,294,242	$ -	$ -
Plan fiduciary net position										
Contributions - employer	$ 16,841,672	$ 1,446,138	$ 1,323,808	$ 1,032,770	$ 871,881	$ 860,997	$ 614,539	$ 576,148	$ -	$ -
Contributions - employee	261,526	123,872	162,627	120,133	164,792	172,693	280,628	150,551	-	-
Pension plan net investment income	2,647,896	71,363	273,290	323,004	497,677	24,385	154,668	511,958	-	-
Benefit payments, including refunds of employee contributions	(1,272,921)	(1,843,580)	(1,023,805)	(1,199,709)	(935,761)	(1,150,547)	(1,008,807)	(807,083)	-	-
Hall/Parker Settlement	-	-	-	(237,532)	-	-	-	-	-	-
Pension plan administrative expense	(11,729)	(5,818)	(5,745)	(5,616)	(4,804)	(3,909)	(4,150)	-	-	-
Other	-	-	34,779	81,265	46	1,450	(3,035)	(209,036)	-	-
Net change in fiduciary net position	18,466,444	(208,025)	764,954	114,315	593,831	(94,931)	33,843	222,538	-	-
Plan fiduciary net position, beginning	5,354,296	5,609,193	4,847,914	4,733,599	4,139,768	4,234,699	4,200,856	3,978,318	-	-
Adjustment to beginning of year	-	(46,872)	(3,675)	-	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	$ 23,820,740	$ 5,354,296	$ 5,609,193	$ 4,847,914	$ 4,733,599	$ 4,139,768	$ 4,234,699	$ 4,200,856	$ -	$ -
Net pension liability (asset), ending (a) - (b)	$ (1,135,798)	$ 16,954,785	$ 15,561,198	$ 14,572,667	$ 14,238,272	$ 13,070,311	$ 11,675,454	$ 11,093,386	$ -	$ -
Plan fiduciary net position as a percentage of total pension liability	105.01%	24.00%	26.50%	24.96%	24.95%	24.05%	26.62%	27.47%	0.00%	0.00%
Covered payroll	$ 1,527,913	$ 1,481,859	$ 1,351,250	$ 1,329,942	$ 1,395,872	$ 1,309,901	$ 1,364,568	$ 1,305,875	$ -	$ -
Net pension liability as a percentage of covered valuation payroll	-74.34%	1144.16%	1151.62%	1095.74%	1020.03%	997.81%	855.62%	849.50%	0.00%	0.00%

See accompanying notes to required supplementary information.

TUCSON AIRPORT AUTHORITY
MULTIYEAR SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
AGENT RETIREMENT PLAN (PSPRS) – Police Department

(2016 - 2012 information not available)

Reporting date (September 30)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
(Measurement date (June 30))	(2021)	(2020)	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)	(2013)	(2012)
Total OPEB liability										
Service cost	$ 6,216	$ 6,144	$ 4,655	$ 4,389	$ 4,886	$ -	$ -	$ -	$ -	$ -
Interest on total OPEB liability	18,089	19,806	23,538	21,564	19,898	-	-	-	-	-
Benefit changes	-	-	-	-	847	-	-	-	-	-
Difference between expected and actual experience	(35,104)	(29,483)	(67,403)	14,339	26,034	-	-	-	-	-
Assumption changes	-	-	3,635	-	(10,834)	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(16,320)	(16,486)	(16,186)	(15,983)	(12,972)	-	-	-	-	-
Net change in total OPEB liability	(27,119)	(20,019)	(51,761)	24,309	27,859	-	-	-	-	-
Total OPEB liability, beginning	249,733	269,752	321,513	297,204	269,345	-	-	-	-	-
Total OPEB liability, ending (a)	$ 222,614	$ 249,733	$ 269,752	$ 321,513	$ 297,204	$ -	$ -	$ -	$ -	$ -
Plan fiduciary net position										
Contributions - employer	$ 3,496	$ 6,626	$ 4,763	$ 862	$ 5,655	$ -	$ -	$ -	$ -	$ -
Contributions - employee	-	-	-	-	-	-	-	-	-	-
OPEB plan net investment income	79,480	3,728	15,633	19,711	30,966	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(16,320)	(16,486)	(16,186)	(15,983)	(12,972)	-	-	-	-	-
Hall/Parker Settlement	-	-	-	-	-					
OPEB plan administrative expense	(327)	(303)	(270)	(300)	(275)	-	-	-	-	-
Other	-	-	-	1	-	-	-	-	-	-
Net change in fiduciary net position	66,329	(6,435)	3,940	4,291	23,374	-	-	-	-	-
Plan fiduciary net position, beginning	294,432	300,867	293,252	288,961	265,587	-	-	-	-	-
Adjustment to beginning of year	-	-	3,675	-	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	$ 360,761	$ 294,432	$ 300,867	$ 293,252	$ 288,961	$ -	$ -	$ -	$ -	$ -
Net OPEB liability (asset), ending (a) - (b)	$ (138,147)	$ (44,699)	$ (31,115)	$ 28,261	$ 8,243	$ -	$ -	$ -	$ -	$ -
Plan fiduciary net position as a percentage of total OPEB liability	162.06%	117.90%	111.53%	91.21%	97.23%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 1,527,913	$ 1,481,859	$ 1,351,250	$ 1,329,942	$ 1,395,872	$ -	$ -	$ -	$ -	$ -
Net OPEB liability as a percentage of covered valuation payroll	-9.04%	-3.02%	-2.30%	2.12%	0.59%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to required supplementary information.

1. Budgetary basis of accounting:

The TAA prepares its annual budget on the modified accrual basis of accounting. A budgetary comparison schedule for the general fund is included as required supplementary information to provide meaningful comparison of actual results to budget on a budget basis.

2. Pension and OPEB plan schedules:

Actuarially determined contribution rates:

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Remaining amortization period as of the 2019 actuarial valuation	17 years
Asset valuation method	7 year smoothed market; 80%/120% corridor
Actuarial assumptions:	
Investment rate of return	PSPRS members with initial membership date before July 1, 2017: In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8% to 7.85%. PSPRS members with initial membership on or after July 1, 2017: 7%
Salary increase	In the 2017 actuarial valuation, projected salary increases were decreased from 4% - 8% to 3.5% - 7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% – 8.5% to 4% – 8%. In the 2013 actuarial valuation, projected salary increases were decreased from 5% – 9% to 4.5% – 8.5%.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4%. In the 2013 actuarial valuation, wage growth was decreased from 5% to 4.5%.

2. Pension and OPEB plan schedules (continued):

Actuarially determined contribution rates (continued):

Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

Factors that affect trends:

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s effective date. These changes increased the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law’s effective date. Also, the TAA refunded excess employee contributions to PSPRS members. PSPRS allowed the TAA to reduce its actual employer contributions for the refund amounts. As a result, the TAA's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

TUCSON AIRPORT AUTHORITY, INC.

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2021

TUCSON AIRPORT AUTHORITY, INC.

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2021

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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*

Board of Directors and Management
Tucson Airport Authority, Inc.
Tucson, Arizona

We have audited, 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, the financial statements of Tucson Airport Authority, Inc. (the Authority) which comprise the statement of net position as of September 30, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated .

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 the 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 and, therefore, material weaknesses or significant weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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 financial statement. 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*.

The Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority'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 Authority'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 Authority's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

Tucson, Arizona

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors and Management
Tucson Airport Authority, Inc.
Tucson, Arizona

Report on Compliance for Each Major Federal Program

We have audited Tucson Airport Authority, Inc.'s (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2021. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended September 30, 2021, and have issued our report thereon dated , which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tucson, Arizona

TUCSON AIRPORT AUTHORITY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2021

Federal Grant/Pass-Through Grantor/ Program or Cluster Title	Federal assistance listing number	Pass-through entity identifying number	Passed through to subrecipients	Federal expenditures
U.S. Department of Defense				
National Guard Military Operations and Maintenence (O&M) Projects	12.401			
Direct Program		W912L-2-19-2002	$ -	$ 540,459
Direct Program		W912L2-20-2104	-	36,670
Total U.S. Department of Defense			-	577,129
U.S. Department of Transportation				
Airport Improvement Program	20.106			
Direct Program		AIP-3-04-0044-29	-	32,277
Direct Program		AIP-3-04-0044-31-2020	-	403,770
Direct Program		AIP-3-04-0044-32-2021	-	31,545
Direct Program		AIP-3-04-0045-33-2021	-	29,600
Direct Program		AIP-3-04-0045-77-2019	-	257,586
Direct Program		AIP-3-04-0045-78-2019	-	728,731
Direct Program		AIP-3-04-0045-79-2019	-	3,829,639
Direct Program		AIP-3-04-0045-80-2020	-	4,990,570
COVID-19 - Direct Program		AIP-3-04-0045-81-2020	-	8,909,172
Direct Program		AIP-3-04-0045-82-2021	-	450,643
COVID-19 Direct Program		AIP-3-04-0045-83-2021	-	5,564,424
COVID-19 Direct Program		AIP-3-04-0045-84-2021	-	396,025
Direct Program		AIP-3-04-0045-85-2021	-	14,235
Total Airport Improvement Program			-	25,638,217
Total U.S. Department of Transportation			-	25,638,217
Total expenditures of federal awards			$ -	$ 26,215,346

See accompanying notes to schedule of expenditures of federal awards.

TUCSON AIRPORT AUTHORITY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2021

1. Basis of presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Tucson Airport Authority, Inc. (the Authority) under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Authority.

2. Summary of significant accounting policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Assistance Listing Numbers (ALN):

The program titles and ALN or federal identification numbers were obtained from the federal or pass-through grantor or the update to the 2021 *Catalog of Federal Domestic Assistance*.

TUCSON AIRPORT AUTHORITY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2021

SUMMARY OF AUDITORS' RESULTS

Financial Statements

The auditors' report expressed an unmodified opinion on the financial statements of Tucson Airport Authority, Inc.

Internal control over financial reporting:

Material weakness(es) identified?	X Yes	____ No
Significant deficiency(ies) identified?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None reported

The auditors' report on compliance for the major federal awards program of Tucson Airport Authority, Inc. expressed an unmodified opinion on its major program.

Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are reported in the Schedule.

Identification of major federal program:

ALN 20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: $786,613

Auditee qualified as a low-risk auditee?	X Yes	____ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2021

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses:

2021-001

Condition and criteria:

We noted that grant revenue was reported in the incorrect period.

Effect:

Without proper application of revenue recognition as it relates to COVID-19 grant funding, funding received could be reported incorrectly.

Cause:

Grant revenue was reported when drawdowns ocurred and therefore causing it to be reported in the incorrect period on both the financial statement and on the schedule of expenditures of federal awards.

Recommendation:

We recommend the Authority evaluate any new revenue funding stream to ensure revenue is properly reported.

Auditee response:

While management concurs with the finding as presented by the auditor, it should be noted that professional judgement was exercised by the Tucson Airport Authority (TAA) to best comply with the guidance provided by FAA for recognizing revenue associated with grant funding provided by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). At the time of the initial issuance of the TAA's FY 2020 financial statements there was significant confusion surrounding the proper treatment of CARES Act funding. Furthermore, the CARES Act grant funding was unlike the other Federal grant reimbursements which the TAA processes in the normal course of business, in that it permitted expenses to be reimbursed from prior periods. TAA Management worked in concert with the previous auditor to arrive at a reasonable method of grant revenue recognition under the CARES Act program. TAA management elected to take a conservative approach and only recognize grant revenue in FY 2020 for which it had identified expenses to be reimbursed under the CARES Act provisions at the time of issuance.

Auditee response (continued):

This finding indicates that this approach conflicts with the established accounting rules governing the Statement of Federal Expenditures of Federal Awards (SEFA). By later electing to reimburse FY 2020 operating expenses in FY 2021, the TAA was required to amend the FY 2020 SEFA and Single Audit and re-issue the FY 2020 financial statements. Ultimately, the effect of this re-statement was to accelerate the recognition of grant revenue in FY 2020 and increase the amount of grants receivable presented on the FY 2020 Statement of Net Position.

Management believes that all internal controls at TAA are sufficient to ensure a fair representation of our financial position and views this finding as a result of subsequent clarification of standards provided after the issuance of the FY 2020 financial statements. As always, we will incorporate this finding into TAA's internal control structure to avoid future deviations from accounting standards.

TUCSON AIRPORT AUTHORITY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

YEAR ENDED SEPTEMBER 30, 2021

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

TUCSON AIRPORT AUTHORITY, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED SEPTEMBER 30, 2021

None