TUCSON AIRPORT AUTHORITY
TUCSON INTERNATIONAL AIRPORT • RYAN AIRFIELD

AGENDA

TUCSON AIRPORT AUTHORITY | Audit Council Meeting
Thursday, September 21, 2023 | 2:00 p.m. | Microsoft Teams

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 **Thursday, September 21, 2023, beginning at 2:00 p.m.** Council members and the public may attend virtually via the remote participation platform Microsoft Teams.

Members of the public interested in observing the proceedings may do so through Microsoft Teams. Click **HERE** to be taken to the registration form. Upon registering, you will receive an email confirmation containing the hyperlink, telephone number, and access code to join the meeting online or by phone.

The agenda for the meeting is as follows:

1. CALL TO ORDER | ROLL CALL

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

2. APPROVAL OF MINUTES

Approve the minutes of the Audit Council meeting held on November 7, 2022.

3. PRESIDENT/CEO REPORT

State of the Industry | Update

4. PRESENTATION/DISCUSSION

Representatives from the independent audit firm BeachFleischman, PLLC, will update the Council on its findings from the FY 2021 Annual Comprehensive Financial Report re-statement audit and from the FY 2022 Annual Comprehensive Financial Report audit and related items.

5. ACTION ITEMS

a. TAA Annual Comprehensive Financial Report Re-Statement for FY 2021
The Council will consider and may vote to recommend to the Board of Directors that it accept the restatement of the FY 2021 Annual Comprehensive Financial Report and the associated audit opinion as presented by BeachFleischman, PLLC.

b. TAA Annual Comprehensive Financial Report Audit for FY 2022
The Council will consider and may vote to recommend to the Board of Directors that it accept the FY 2022 Annual Comprehensive Financial Report and the associated audit opinion as presented by BeachFleischman, PLLC.

6. ADJOURN

TUCSON AIRPORT AUTHORITY | Audit Council Meeting
Monday, November 7, 2022 | 1:00 p.m. | Virtual

THIS ADVISORY COUNCIL MEETING WAS HELD VIRTUALLY, WITH COUNCIL MEMBERS ATTENDING VIA MICROSOFT TEAMS OR TELEPHONICALLY. MEMBERS OF THE PUBLIC WHO COMPLETED A REGISTRATION FORM RECEIVED A LINK TO VIEW THE MEETING VIA MICROSOFT TEAMS OR TO LISTEN TELEPHONICALLY.

1. CALL TO ORDER | ROLL CALL

Chair Smallhouse called the meeting to order at 3:02 p.m.

Council Members Present: Chair David Smallhouse, Council Member Taunya Villicaña, Council Member David Lyons, Council Member Isaac Figueroa, Council Member Cristina Baena, and Council Member John Parker

Council Members Absent: Vice Chair Tony Finley

Others Present: Board Chair Bruce Dusenberry, TAA Member Carol Stewart, and BeachFleischman, PLLC, Engagement Principal Eric Maneval

Staff Present: President/CEO Danette Bewley, Vice President/Chief Financial Officer Kirk Eickhoff, Deputy General Counsel Kim Outlaw Ryan, Director of Finance Clark Wager, and TAA Clerk Byron Jones

2. APPROVAL OF MINUTES

Motion by Council Member Villicaña, seconded by Council Member Parker, to approve the minutes of the Audit Council meetings held on August 18, 2022, and August 31, 2022. The motion carried by the following vote:

Ayes	**5**	**Chair Smallhouse, Council Member Villicaña, Council Member Figueroa, Council Member Baena, and Council Member Parker**
Nays	**0**	

Council Member Lyons joined the meeting at 3:04 p.m.

3. PRESIDENT/CEO REPORT

a. State of the Industry | Update

President/CEO Danette Bewley reported the following:

- Vice President/Chief Financial Officer Kirk Eickhoff is leaving the Tucson Airport Authority (TAA) for a position with the Greenville-Spartanburg International Airport in Greer, North Carolina. She thanked him for his seven years of service with the Authority. TAA will be performing a nationwide search to recruit a successor.
- Financial Controller Clark Wager has been promoted to the position of director of finance.
- Airlines continue to experience operational issues due to the ongoing pilot shortage.
- Tucson International Airport (TUS) recovered 88% of pre-COVID passenger volumes in FY 2022 and is forecasting 94% recovery by the end of FY 2023. Tucson continues to be an attractive market for the airlines. Staff is having ongoing discussions with the airlines to increase seat capacity either with increased flights or using larger aircraft.

4. DISCUSSION | PRESENTATION

a. FY 2023 AUDIT PLANNING REVIEW:

Engagement Principal Eric Maneval representing the auditing firm BeachFleischman, PLLC, presented.

- The deliverables for the FY 2023 audit include the Financial Statement Audit, the Single Audit Report, the Passenger Facility Charge (PFC) Report, and the Arizona Department of Environmental Quality (ADEQ) letter pertaining to environmental remediation.
- BeachFleishman will conduct a review of TAA's internal control system and processes to design audit procedures for the Single Audit. The firm will not express an opinion on the internal control environment but will report any significant deficiencies or material weaknesses which will be reported to the Audit Council.
- Key additions to the report will include highlighting significant audit risk areas identified in previous years. These will focus on revenue recognition and federal expenditures under TAA's single audit funds.

Mr. Maneval gave a summary of the audit timeline:

Establish Engagement Objectives	
Meet to understand expectations and business strategies	Throughout the year
Work with management personnel regarding operating, accounting, and reporting matters	Throughout the year
Conduct other audit planning events with management	In process
Audit Council review of planning/scope	Today
Understand the Business and Establish Audit Strategy	
Obtain an understanding of internal control, including fraud controls	November / December
Perform Audit Procedures	
Perform year-end procedures	December / January
Perform pension procedures	When available
Deliverables	
Complete year-end fieldwork and issue draft financial statements to management	Spring 2023
Submit financial statement draft to Audit Council	Spring 2023

There was a brief discussion regarding TAA's implementation of the Governmental Accounting Standards Board's Statement No. 87 (GASB 87) regarding the accounting and reporting of leases.

- TAA does not assume the role of a lessee in any of its current leases; therefore, TAA is implementing the lessor accounting standards. Lease receivables will be recorded as the present value of the lease revenue that projects throughout the term of the agreements in addition to any deferred inflows.
- The new standards will add both assets and liabilities to the balance sheet. There will also be changes to the income statement. The portion of TAA's lease revenue which was being recorded as rental revenue will be reclassified as interest revenue in the operating section of the income statement.
- Airline leases are exempt from the GASB 87 standard.
- The lease standards only apply to fixed lease payments, so revenues from concessions and rental cars, which are based on a percentage, are also not affected by the standard.

5. ADJOURN

There being no further business to discuss, Chair Smallhouse adjourned the meeting at 2:25 p.m.

PREPARED BY:

____

Byron M. Jones, CMC, TAA Clerk

Date: ____________________

Date: September 21, 2023

To: Audit Council
From: Kim Allison, VP Finance/CFO
Re: 2021 ACFR Restatement and 2022 Draft ACFR

Background:

This memo provides an update of the year-end financial statement audits for the Tucson Airport Authority's (TAA) fiscal years ended September 30, 2021 (FY 2021) and September 30, 2022 (DRAFT FY 2022). The audits for these periods were performed by the public accounting firm Beach Fleishman. Eric Maneval, CPA, Principal, the audit engagement partner for the TAA's FY 2021/2022 audits, will present a summary of the restatement of FY2021 and a draft report of the FY 2022 audit as well as the firm's opinion on the financial statements prepared by management. Due to the sensitive nature of the deadline for the filing of the FY 2022 report, we ask for approval of the FY 2022 Draft, expecting only cosmetic changes to occur before the final ACFR is completed.

Considerations:

The audit results presented for FY 2021 pertain to a restatement of the TAA's initial FY 2021 financial statements. The TAA management elected to reissue the financial statements for this period due to material expense recognition items that were discovered as our auditors were finalizing the audit fieldwork. This was due to the TAA receiving invoices untimely from certain contractors and other entities. These invoices should have been recorded in FY 2021, but due to untimely receipt, were recorded in FY 2022. The TAA has taken steps to prevent this from happening in the future.

The audit results presented for FY2022 have been delayed due to numerous extenuating circumstances including staff turnover of the Finance Team leadership and new accounting pronouncement implementations related to leases (GASB 87). As the audit fieldwork was underway, our auditors questioned our method of fixed asset capitalization as it relates to substantial completion of projects. This took a considerable amount of research time from the Finance Team to ensure proper handling of these items.

Recommendation:

The TAA management requests that the Audit Council recommend that the Board of Directors accept both the restated FY 2021 financial statements and the Draft FY 2022 financial statements and related audit opinions as expressed by Beach Fleishman, CPAs with the understanding that the FY 2022 ACFR will be finalized prior to the full Board meeting and will not be a draft version.

DRAFT

Tucson Airport Authority, Inc.

Years Ended September 30, 2022 and 2021

BeachFleischman
collaborate forward

Basic Financial Statements

DRAFT

Tucson Airport Authority, Inc.

Years Ended September 30, 2022 and 2021

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Management's Discussion and Analysis

DRAFT

Basic Financial Statements

Tucson Airport Authority, Inc.

Statements of Net Position

September 30, 2022 and 2021

	2022	(Restated) 2021
Assets:		
Current assets, unrestricted		
Cash and cash equivalents - Note 3	$ 39,885,789	$ 15,279,421
Investments - Note 3	103,606,567	125,667,536
Accounts receivable, net of allowance for doubtful accounts of ($406,350, 2022; $257,121, 2021)	6,407,843	2,229,151
Accrued interest receivable	95,606	163,925
Grants receivable	9,057,179	10,687,314
Notes receivable	-	88,995
Short-term lease receivable	5,040,303	5,125,804
Inventories - Note 4	414,637	395,531
Prepaid expenses and other assets	1,151,114	978,463
Total unrestricted current assets	165,659,038	160,616,140
Current assets, restricted		
Cash and cash equivalents - Note 3	2,800,884	1,835,653
Investments - Note 3	21,534,922	20,923,339
Accounts receivable	982,305	876,384
Accrued interest receivable	29,005	43,342
Total restricted current assets	25,347,116	23,678,718
Total current assets	191,006,154	184,294,858
Noncurrent assets:		
Capital assets, not depreciated	138,245,948	117,055,775
Capital assets, depreciated, net	221,869,522	220,468,703
Total capital assets	360,115,470	337,524,478
Long-term lease receivable	80,137,980	85,421,232
Net pension/OPEB asset	-	1,711,563
Total noncurrent assets	440,253,450	424,657,273
Total assets	631,259,604	608,952,131
Deferred outflows of resources:		
Deferred outflows related to pensions/OPEB	5,599,775	4,180,444
	$ 636,859,379	$ 613,132,575

See notes to financial statements.

Tucson Airport Authority, Inc.

Statements of Net Position (continued)

Years Ended September 30, 2022 and 2021

	2022	(Restated) 2021
Liabilities:		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 1,565,623	$ 970,307
Accrued expenses	2,709,857	1,707,254
Unearned revenues	1,396,005	1,259,663
Construction contracts payable	9,330,235	6,018,784
Current portion of bonds payable	1,610,000	1,565,000
Current portion of environmental remediation payable, restricted	4,473,947	5,678,529
Total payable from unrestricted assets	21,085,667	17,199,537
Payable from restricted assets:		
Current portion of environmental remediation payable, restricted	572,412	392,447
Total payable from unrestricted assets	572,412	392,447
Total current liabilities	21,658,079	17,591,984
Noncurrent liabilities:		
Payable from unrestricted assets:		
Bonds payable, net of current portion	21,794,826	25,062,449
Net pension/OPEB liability	20,039,902	12,730,870
Environmental remediation payable, net of current portion	16,520,990	17,849,926
Total payable from unrestricted assets	58,355,718	55,643,245
Total liabilities	80,013,797	73,235,229
Deferred inflows of resources:		
Deferred inflows related to pensions/OPEB	1,192,679	7,457,762
Deferred inflows related to leases	83,878,878	89,439,086
Total deferred inflows of resources	85,071,557	96,896,848
Commitments and contingencies		
Net position:		
Net investment in capital assets	336,710,644	310,897,029
Restricted	24,774,705	23,286,271
Unrestricted	110,288,676	108,817,198
Total net position	$ 471,774,025	$ 443,000,498

See notes to financial statements.

Tucson Airport Authority, Inc.

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30, 2022 and 2021

	2022	(Restated) 2021
Operating revenues:		
Landing fees	$ 2,494,007	$ 1,973,618
Space rentals	10,553,073	11,914,716
Land rent	3,242,232	3,170,479
Concession	18,652,486	14,350,682
Airport services	3,154,925	3,354,818
Other operating	3,428,942	2,983,091
Total operating revenues	41,525,665	37,747,404
Operating expenses:		
Personnel	23,398,275	20,489,377
Contractual	8,954,187	7,537,219
Materials and supplies	1,912,266	1,533,550
Other	1,858,369	944,639
Total operating	36,123,097	30,504,785
Depreciation and amortization	21,261,572	20,308,305
Operating loss	(15,859,004)	(13,065,686)
Nonoperating revenues (expenses):		
Interest income	1,726,195	1,777,835
Net increase (decrease) in the fair value of investments	(6,324,662)	(169,672)
Passenger facility charges	6,502,174	4,628,663
Interest expense and fiscal charges	(780,585)	(871,573)
Gain (loss) on disposition of capital assets	8,188	(22,866)
Environmental remediation expenses	(1,315,930)	(1,334,189)
Nonoperating grants-in-aid	20,618,992	15,378,375
Other nonoperating revenue	(2,320)	(397)
	20,432,052	19,386,176
Income before capital contributions	4,573,048	6,320,490
Capital contributions:		
Federal	23,080,389	11,868,127
State	1,120,090	950,097
	24,200,479	12,818,224
Change in net position	28,773,527	19,138,714
Net position, beginning of year	443,000,498	423,861,784
Net position, end of year	$ 471,774,025	$ 443,000,498

See notes to financial statements.

Tucson Airport Authority, Inc. DRAFT

Statements of Cash Flows

Years Ended September 30, 2022 and 2021

	2022	(Restated) 2021
Cash flows from operating activities:		
Receipts from airlines and tenants	$ 36,903,703	$ 34,689,840
Federal and state grants-in-aid	349,740	450,464
Payments to suppliers	(11,421,782)	(10,774,260)
Payments for personnel services	(21,958,972)	(48,862,167)
Payments for environmental remediation	(3,670,022)	(1,112,484)
Net cash provided by (used in) operating activities	202,667	(25,608,607)
Cash flows from capital and related federal financing activities:		
Federal and state capital contribution receipts	25,239,610	11,208,859
Acquisition of capital assets	(40,541,111)	(25,645,540)
Proceeds from sale of capital assets	8,188	13,860
Principal paid on long-term debt	(3,170,000)	(3,065,000)
Passenger facility charge receipts	6,396,253	4,162,547
Interest paid on long-term debt	(835,528)	(933,894)
Nonoperating grants-in-aid receipts	21,248,413	24,586,265
Net cash provided by investing activities	8,345,825	10,327,097
Cash flows from investing activities:		
Interest on investment	1,481,293	2,101,491
Maturity and calls of investments	25,608,681	113,751,261
Purchase of investments	(10,155,862)	(165,109,411)
Collections of notes receivable	88,995	-
Net cash provided by financing activities	17,023,107	(49,256,659)
Net increase (decrease) in cash and cash equivalents	25,571,599	(64,538,169)
Cash and cash equivalents, beginning	17,115,074	81,653,243
Cash and cash equivalents, ending	$ 42,686,673	$ 17,115,074

See notes to financial statements.

Tucson Airport Authority, Inc.

DRAFT

Statements of Cash Flows (continued)

Years Ended September 30, 2022 and 2021

	2022	(Restated) 2021
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	$ (15,859,004)	$ (13,065,686)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	21,261,572	20,308,305
Payments for environmental remediation	(3,670,022)	(1,112,484)
Changes in operating assets and liabilities:		
Accounts receivable	1,151,644	(90,572,048)
Inventories	(19,107)	(67,275)
Prepaid expenses	(172,651)	(257,099)
Accounts payable	595,321	(292,924)
Accrued expenses	1,002,600	(148,735)
Unearned revenues	136,342	(1,474,145)
Net pension liability and related changes in deferred outflows and inflows of resources	(4,224,028)	61,073,484
Total adjustments	16,061,671	(12,542,921)
Net cash provided by (used in) operating activities	$ 202,667	$ (25,608,607)
Noncash nonoperating, capital, financing and investing activities:		
Additions to capital assets included in accounts payable	$ 9,330,235	$ 6,018,784
Net appreciation (depreciation) in fair value of investments	$ (6,324,662)	$ (169,672)
Increase in estimate of environmental remediation liability	$ (1,315,930)	$ (1,334,189)

See notes to financial statements.

Notes to Financial Statements

Years Ended September 30, 2022 and 2021

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):

Leases:

As lessor, the TAA recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the TAA initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines the discount rate it uses to discount the expected lease receipts to present value, the lease term, and lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments under the lessee.

The TAA monitors changes in circumstances that would require a remeasurement of the lease, and will remeasure the lease receivable and deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable.

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.

2. Summary of significant accounting policies (continued):

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.

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.

2. Summary of significant accounting policies (continued):

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 2022:

GASB Statement No. 87, Leases, as amended, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the Authority's financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions.

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 implemented this Statement in fiscal year 2022 with no effect.

- 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. The TAA implemented this Statement in fiscal year 2022 with no effect.

2. Summary of significant accounting policies (continued):

New accounting standards (continued):

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.

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.

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. 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, 2022 and 2021, deposits with financial institutions have a carrying value of $29,136,811 and $6,598,116 and a bank balance of $29,246,517 and $7,642,106. The difference represents deposits in transit, outstanding checks and other reconciling items at September 30, 2022 and 2021.

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, 2022 and 2021 were as follows:

	2022		2021		Rating
Pooled investment fund:					
U.S. Agency securities:					
Federal Farm Credit Bank	$ 7,097,175	6%	$ 7,457,775	5%	AAA
Federal Agricultural Mortgage Corp.	16,553,375	13%	19,465,290	13%	AAA
Federal Home Loan Bank	31,385,728	25%	44,177,925	30%	AAA
Federal Home Loan Mortgage Corp.	23,529,255	19%	27,488,965	19%	AAA
Federal National Mortgage Association	16,553,375	13%	10,015,700	7%	AAA
U.S. Treasury Bills	30,022,581	24%	37,985,220	26%	AAA
	$ 125,141,489	100%	$ 146,590,875	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, 2022, 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	$ 7,097,175	$ -	$ 7,097,175	$ -
Federal Agricultural Mortgage Corp.	16,553,375	-	16,553,375	-
Federal Home Loan Bank	31,385,728	-	31,385,728	-
Federal Home Loan Mortgage Corp.	23,529,255	-	23,529,255	-
Federal National Mortgage Association	16,553,375	-	16,553,375	-
U.S. Treasury Bills	30,022,581	-	30,022,581	-
	$125,141,489	$ -	$125,141,489	$ -

3. Cash and investments (continued):

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	$ -

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, 2022 and 2021 as follows:

	Cash and cash equivalents		Investments	
	2022	2021	2022	2021
Unrestricted	$ 39,885,789	$ 15,279,421	$103,606,567	$125,667,536
Restricted:				
Environmental remediation trust	572,411	392,447		
Capital acquisition:				
Passenger facility charge fund	1,896,412	1,205,441	18,330,612	17,480,383
Capital projects fund	332,061	237,765	3,204,310	3,442,956
Total restricted	2,800,884	1,835,653	21,534,922	20,923,339
	$ 42,686,673	$ 17,115,074	$125,141,489	$146,590,875

Cash and cash equivalents comprised the following at September 30, 2022 and 2021:

	2022	2021	Ratings
Deposits at financial institutions	$ 29,136,811	$ 6,598,116	N/A
Treasury obligation funds	13,531,852	10,507,037	AAA
Cash on hand	18,010	9,921	N/A
Total cash and cash equivalents	$ 42,686,673	$ 17,115,074	

3. Cash and investments (continued):

At September 30, 2022, 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	$ 125,141,489	$ 34,425,790	$ 77,065,284	$ 13,650,415	$

In order to address the projected cash flow needs of major airfield projects in progress as of September 30, 2022, 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, 2022 and 2021 was as follows:

	2022	2021
Capital assets	$ 717,712,877	$ 673,896,268
Less accumulated depreciation	(357,597,407)	(336,371,790)
Less outstanding debt	(23,404,826)	(26,627,449)
	$ 336,710,644	$ 310,897,029

4. Capital assets (continued):

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning	Increases	Decreases	Ending
Capital assets, not depreciated:				
Land	$ 51,786,544	$ -	$ -	$ 51,805,394
Air aviation easements	29,990,090	-	-	29,990,090
Artwork	493,188	157,693	-	650,881
Construction in progress	34,785,953	21,045,896	-	55,804,521
Total capital assets, not depreciated	117,055,775	21,203,589	-	138,250,886
Capital assets, depreciated:				
Land improvements	224,572,634	5,022,995	-	229,595,629
Building and improvements	269,243,354	3,380,893	(563,753)	272,060,494
Utilities	5,951,108	883,470	-	6,834,578
Computer software	7,088,492	193,255	-	7,281,747
Furniture, fixtures, machinery and equipment	49,984,905	13,740,593	(35,955)	63,689,543
Total capital assets, depreciated	$ 556,840,493	$ 23,221,206	$ (599,708)	$ 579,461,991
Less accumulated depreciation for:				
Land improvements	$(122,890,107)	$ (9,632,477)	$ -	$(132,522,584)
Building and improvements	(167,831,749)	(7,905,438)	61,835	(175,675,352)
Utilities	(5,941,507)	(20,326)	-	(5,961,833)
Computer software	(6,226,850)	(206,258)	-	(6,433,108)
Furniture, fixtures, machinery and equipment	(33,481,577)	(3,558,908)	35,955	(37,004,530)
Total accumulated depreciation	(336,371,790)	(21,323,407)	97,790	(357,597,407)
Total capital assets, depreciated, net	220,468,703	1,897,799	(501,918)	221,864,584
Total capital assets, net	$ 337,524,478	$ 23,101,388	$ (501,918)	$ 360,115,470

4. Capital assets (continued):

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	$ 231,252	$ -	$ 51,786,544
Air aviation easements	29,990,090	-	-	29,990,090
Artwork	481,798	11,390	-	493,188
Construction in progress	34,708,397	77,556	-	34,785,953
Total capital assets, not depreciated	116,735,577	320,198	-	117,055,775
Capital assets, depreciated:				
Land improvements	203,936,506	20,636,128	-	224,572,634
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	2,563,766	(415,717)	49,984,905
Total capital assets, depreciated	$ 531,127,950	$ 26,128,260	$ (415,717)	$ 556,840,493
Less accumulated depreciation for:				
Land improvements	$(113,662,328)	$ (9,227,779)	$ -	$(122,890,107)
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)	(3,071,238)	392,851	(33,481,577)
Total accumulated depreciation	(316,456,335)	(20,308,306)	392,851	(336,371,790)
Total capital assets, depreciated, net	214,671,615	5,819,954	(22,866)	220,468,703
Total capital assets, net	$ 331,407,192	$ 6,140,152	$ (22,866)	$ 337,524,478

5. Leases:

As a lessor, the TAA recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term. In accordance with GASBS 87, the TAA has excluded leases it has identified as regulated leases and short-term leases. As lessor, the TAA continues to recognize the underlying leased asset in its total capital assets. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

For the purpose of GASBS 87 implementation, the TAA leases have been categorized as follows:

1. Non-regulated leases
2. Regulated leases
3. Short-term leases

Non-regulated leases:

In accordance with GASBS 87, the TAA recognizes a lease receivable and a deferred inflow of resources for leases the TAA categorized as non-regulated. For these leases, TAA is reporting a Lessor Lease Receivable of $85.2 million and an ending remaining amortization of deferred inflows of resources of $83.9 million as of September 30, 2022. TAA reported a Lessor Lease Receivable of $90.5 million and an ending remaining amortization of deferred inflows of resources of $89.4 million as of September 30, 2021. TAA reported lease revenue of $20.5 million and interest revenue of $1.4 million related to these leases for the fiscal year ended September 30, 2022. The TAA reported lease revenue of $19.4 million and interest revenue of $1.4 million related to these leases for the fiscal year ended September 30, 2021.

In arriving at the present value amounts for the lease receivable recognized, the TAA applied a discount rate to the total remaining lease payments for its current lease agreements. GASBS 87 requires the use of the implicit rate of return of the individual lease agreements or the reporting entities incremental borrowing rate if such implicit rate of return is not available. The TAA's lease agreements do not have a stated implicit rate of return. The TAA applied an incremental borrowing rate to each lease agreement by pegging the interest rate on its subordinate lien bonds to the federal funds rate and applying the resulting rate (based on the change in the federal funds rate) as of the lease's execution date to the lease's present value calculation. For lease agreements that were in existence prior to October 1, 2021 (the GASBS 87 implementation date for reporting purposes), the TAA applied the interest rate based on the federal funds rate as of that date.

Non-regulated leases are summarized into the following categories:

Land rent:

The TAA leases land for terms that range from 10 to 40 years. The TAA's land rent revenue is fixed in nature and is based on square footage. The TAA recognized non-interest revenue of $1.2 million and interest revenue of $1.0 million for both FY 2022 and FY 2021.

5. Leases (continued):

The TAA has an existing lease agreement that contains a variable revenue component for the lease of land and the extraction of gravel and sand for construction materials. This agreement does not have a Minimum Annual Guarantee (MAG) component. The TAA recognized revenue of $0.3 million and $0.4 million for FY 2022 and FY 2021, respectively. The variable revenue received was not included in the measurement of lease receivable.

Space rent:
The TAA leases buildings and space on non-airfield premises for terms that range from 2 to 10 years. The TAA's space rent revenue is fixed in nature and is based on square footage. The TAA recognized non-interest revenue of $0.8 million and interest revenue of $0.1 million for both FY 2022 and FY 2021. There are no variable revenue components in the TAA's space rent lease agreements.

Concession rent:
The TAA leases space for concession tenants in the terminal building for terms that range from 5 to 10 years. The terms of the concession lease agreements are based on a percentage of the concessionaire's gross sales and generally include a Minimum Annual Guarantee (MAG). The COVID-19 pandemic resulted in greatly reduced passenger volumes and lost revenue for the TAA and its concession tenants. In an effort to be a good business partner, the TAA issued a MAG waiver for its food & beverage and news & gift concessionaires. This MAG waiver was in effect the entirety of FY 2021, which resulted in reduced concession revenues. The TAA recognized non-interest revenue of $2.0 million and interest revenue of $0.2 million during both FY 2022 and FY 2021.

As stated previously, the terms of the concession lease agreements are based on a percentage of the concessionaire's gross sales. Variable revenue received in excess of the MAG totaled $0.3 million for FY 2022. Variable revenue received in excess of MAG totaled $1.5 million for FY 2021. As TAA waived the MAG for its food & beverage and news & gift concessionaires during FY 2021, such concession revenue was considered variable for that reporting period. The variable revenue received was not included in the measurement of lease receivable.

Rental Car:
The TAA leases land and facility space to rental car providers for 5-year terms. The terms of the space rental and land rental leases include a fixed revenue component that is based on square footage. Additionally, a Minimum Annual Guarantee (MAG) is collected on rental car contract sales. The TAA recognized non-interest revenue of $0.9 million and interest revenue of less than $0.1 million for FY 2022 for rental car space and land rentals. The TAA recognized non-interest revenue of $1.1 million and interest revenue of less than $0.1 million FY 2021 for rental car space and land rentals. TAA waived the MAG requirement for the rental car tenants for both FY 2021 and FY 2022 in response to the economic effects of the COVID-19 pandemic.

5. Leases (continued):

The rental car lease agreements of the TAA contain a variable revenue component. The TAA will collect a percentage of the contract sales of the rental car tenants. Ordinarily, the percentage rent is subject to a MAG provision. However, during FY 2021 and FY 2022, TAA waived the MAG requirement, as mentioned previously. Variable revenue received totaled $8.6 million and $6.0 million for FY 2022 and FY 2021, respectively. The variable revenue received was not included in the measurement of lease receivable.

The table below is a schedule of future payments of the TAA's non-regulated leases that are included in the measurement of the lease receivable for the next five fiscal years and in five-year increments thereafter.

Year ending September 30,	Principal	Interest	Total
2023	$ 5,035,068	$ 1,160,541	$ 6,195,609
2024	4,012,524	1,098,459	5,110,983
2025	3,964,818	1,042,390	5,007,208
2026	4,001,239	986,260	4,987,499
2027	3,649,242	931,502	4,580,744
2028 - 2032	8,134,591	4,195,229	12,329,820
2033 - 2037	4,684,851	3,802,041	8,486,892
2038 - 2042	5,023,673	3,459,673	8,483,346
2043 - 2047	5,391,362	3,092,904	8,484,266
2048 - 2052	5,774,203	2,699,603	8,473,806
2053 - 2057	6,195,721	2,277,590	8,473,311
2058 - 2062	6,648,009	1,824,769	8,472,778
2063 - 2067	7,133,315	1,338,894	8,472,209
2068 - 2072	7,654,048	817,549	8,471,597
2073 - 2077	7,788,267	259,142	8,047,409
	$ 85,090,931	$ 28,986,546	$114,077,477

Regulated leases:
GASBS 87 outlines a separate accounting treatment for certain regulated leases. The TAA is lessor to leases between air carriers and other aeronautical users, which are regulated by the U.S. Department of Transportation and the Federal Aviation Administration. In accordance with GASBS 87, the TAA does not record a lease receivable or deferred inflows of resources from regulated lease agreements.

5. Leases (continued):

Regulated leases are summarized into the following categories:

Airlines

The TAA enters into long-term lease agreements with air carriers. These lease agreements follow the TAA's airline use agreement (AUA). Uniform rates are set annually for such space as jet bridges, apron parking, holdroom, ticket counter, baggage claim area, and other terminal charges. The airlines participate in the AUA for the duration of the agreement. The AUA is currently extended through September 30, 2023. The TAA recognized total lease revenue of $3.0 million during both FY 2022 and FY 2021.

The TAA also enters into month-to-month lease agreements with air carriers that do not participate in the AUA. These are identified as non-signatory airlines. Therefore, the TAA treats these agreements as short-term leases.

The tables below show the jet bridges and square footage that the TAA's regulated airline tenants lease either exclusively or preferentially. The data below is based on the September 2022 rent billings.

Airlines	Jet bridges leased preferentially	Jet bridges leased
American Airlines	B8, B10, B11	3
Delta Air Lines	B1	1
Southwest Airlines	A4, A6	2
United Airlines	A5, A7, A8	3
Total jet bridges leased preferentially		9

There are 7 jet bridges available for common use
There are 2 jet bridges that are owned and used by airlines
There are 2 gates that are currently not in use

Airline	Exclusively / preferentially used terminal area (sq. ft)
Alaska Airlines	3,219
American Airlines	12,069
Delta Air Lines	8,890
Southwest Airlines	10,904
United Airlines	8,378
	43,460

5. Leases (continued):

Other Airfield

The TAA leases land and facility space located within the airfield premises for other aeronautical users. As such, the TAA is also subject to federal regulations for these leases. The TAA leases to airfield tenant under terms of 10 to 40 years for land tenants and 2 to 10 years for facility space tenants. The TAA recognized total lease revenue of $3.4 million during both FY 2022 and FY 2021.

The table below is a schedule of future payments of the TAA's regulated leases:

Year ending September 30,	Total
2023	$ 6,111,827
2024	2,998,697
2025	2,684,540
2026	2,539,136
2027	2,182,542
2028 - 2032	9,503,909
2033 - 2037	8,670,807
2038 - 2042	7,195,813
2043 - 2047	3,972,287
2048 - 2052	1,652,814
2053 - 2057	663,305
2058 - 2062	663,305
2063 - 2067	663,305
2068 - 2072	663,305
2073 - 2077	630,140
	$ 50,795,732

The table below shows the square footage that the TAA's regulated airline tenants lease either exclusively or preferentially (either land or facility space). The data below is based on the September 2022 rent billings.

Tenant - Regulated Lease Agreement	Exclusively Leased Area (sq. ft.)
AERGO TUS, LLC	46,969
Aerospace Hangar, LLC	41,600
Aerospace Leasing L.L.C.dba Aerovation	22,500
Aerovation, Inc.	91,933
Air Centers West Ltd Partnership	227,480
Air Ventures, Ltd	431,776

5. Leases (continued):

Alpha One Hangar, LLC	47,545
Apple Autos Properties, Inc.	13,000
Arizona Aviation Associates, LLC	19,166
Ascent Aviation Services	1,112,697
B.B.S Investment Inc. dba B&M Aircraft	57,859
Cherokee Cabanas, Inc.	172,265
Commander Investments LLC	124,432
Fed Ex	64,600
Flight Safety International, Inc.	180,000
Jet, LLC	10,350
Lan-Dale Company	46,800
Learjet, Inc.	7,588,283
Matheson Flight Extenders	6,134
Mesa Airlines	10,590
MHI RJ Aviation Inc.	2,415,315
Mobile Aire Hangars	335,125
Pima County, Arizona	130,500
PrimeFlight Aviation Services, Inc.	1,976
Prospect International Airport Services Corporation	502
Raytheon Company	392,040
Real Air, L.L.C.	17,653
Ryan Development Airpark, LLC	86,452
Southwest Airport Services, Inc.	1,440
Southwest Heliservices, LLC	44,000
Terry Amalong	16,117
Trajen Flight Support L.P.	488,006
Tucson Aeroplex, LLC dba Million Air	90,465
Tucson Executive, LLC	160,667
Tucson Fuel Facilities, LLC	145,606
Tucson Jet Center	9,400
Velocity Air Holdings dba Handy Hangars	33,120
Velocity Air, Inc.	174,069
Vertex Aerospace, LLC	11,304
Victor II TUS, LLC	18,750
Grand Total	14,888,486

5. Leases (continued):

Short-Term leases:

The TAA serves as lessor to a number of leases with terms of less than 12 months, including month-to-month leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Accordingly, the TAA does not record a lease receivable for such leases.

6. 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, 2022 and 2021, 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, 2022 and 2021 follows:

	2022	2021
Forfeiture funds	$ 36,225	$ 36,030
Marketing/refurbishment funds	925,601	696,425
Tenant rent payments	434,179	527,208
	$ 1,396,005	$ 1,259,663

7. Bonds payable:

	2022	2021
$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%.	$ 23,305,000	$ 26,475,000
Unamortized premium - Series 2018 bonds	99,826	152,449
	23,404,826	26,627,449
Less current portion	1,610,000	1,565,000
	$ 21,794,826	$ 25,062,449

Bonds payable, business type activities for the year ended September 30, 2022:

	Beginning	Increases	Decreases	Ending
2018 subordinate lien airport revenue bonds	$ 26,475,000	$ -	$ (3,170,000)	$ 23,305,000
Plus unamortized premium	152,449	-	(52,623)	99,826
Less current portion	(1,565,000)	-	(45,000)	(1,610,000)
	$ 25,062,449	$ -	$ (3,267,623)	$ 21,794,826

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

7. 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
2023	$ 3,270,000	$ 729,675	$ 3,999,675
2024	3,370,000	622,818	3,992,818
2025	3,490,000	512,556	4,002,556
2026	3,600,000	398,565	3,998,565
2027	2,755,000	280,844	3,035,844
2028 - 2032	6,820,000	449,480	7,269,480
	$ 23,305,000	$ 2,993,938	$ 26,298,938

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, 2022 and 2021, 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, 2022 and 2021.

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

8. 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.

8. Pension and other postemployment benefits (continued):

At September 30, 2022, 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	$16,317,589	$ 2,122,108	$ 1,600,205	$20,039,902
Deferred outflows of resources:				
Difference between actual and expected experience	$ 149,003	$ 318,061	$ 448,771	$ 915,835
Changes of assumptions related to pensions	853,442	345,352	350,707	1,549,501
Contributions subsequent to the measurement date	330,012	95,493	138,263	563,768
Difference between actual and expected earnings on pension plans	-	999,785	1,250,889	2,250,674
Changes in proportion and differences between employer contributions and proportionate share of contributions	302,417	913	16,667	319,997
Total deferred outflows	$ 1,634,874	$ 1,759,604	$ 2,205,297	$ 5,599,775
Deferred inflows of resources:				
Difference between actual and expected resources	$ 465,214	$	$	$ 465,214
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,322	3,877	6,359	39,558
Difference between actual and expected experience	309,525	38,245	298,148	645,918
Changes of assumptions related to pensions	39,659	1,546	784	41,989
Total deferred inflows	843,720	43,668	305,291	1,192,679
Net deferred outflows and (inflows)	$ 791,154	$ 1,715,936	$ 1,900,006	$ 4,407,096
Pension/OPEB expense	$ 124,362	$ 533,858	$ 703,524	$ 1,361,744

8. 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)	$(1,285,140)	$11,019,309
Deferred outflows of resources:				
Other deferred outflows:				
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 other deferred outflows	2,287,217	709,047	1,184,180	4,180,444
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
Changes of assumptions related to pensions	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
Total deferred 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

8. 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	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.

8. 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, 2022 and 2021, active ASRS members and the TAA were required by Statute to contribute at the following actuarially determined rates on members' annual payroll:

	2022	2021
Employee contribution rates:		
Retirement	12.22 %	12.04 %
Long-term disability	0.19 %	0.18 %
	12.41 %	12.22 %
Employer contribution rates:		
Retirement	12.01 %	11.65 %
Health benefit supplement	0.21 %	0.39 %
Long-term disability	0.19 %	0.18 %
	12.41 %	12.22 %

The TAA's contributions to the pension/OPEB plan for the years ended September 30, 2022 and 2021 were $-_________ and $1,380,826.

Pension liability - At September 30, 2022 and 2021, the TAA reported a liability of $16,317,589 and $12,730,870 for its proportionate share of the ASRS' net pension/OPEB liability. The net pension/OPEB liability was measured as of June 30, 2022 and 2021 (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, 2021, to the measurement date of June 30, 2022.) 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, 2022 and 2021. The TAA's proportions, measured as of June 30, 2022 and 2021 were as follows:

	2022	2021	Decrease
Pension	0.10352 %	0.10053 %	0.00299 %
Health benefit supplement	0.10551 %	0.10249 %	0.00302 %
Long-term disability	0.10469 %	0.10180 %	0.00289 %

8. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

For the years ended September 30, 2022 and 2021, the TAA recognized pension/OPEB expense (income) for ASRS of $1,563,320 and $1,045,978. At September 30, 2022 and 2021, the TAA reported deferred outflows of resources and deferred inflows of resources related to pension/OPEBs from the following sources:

	2022		2021	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 149,003	$ 309,525	$ 207,432	$ 174,884
Net difference between projected and actual earnings on pension plan investments	-	465,214	-	4,384,922
Changes in proportion and differences between employer contributions and proportionate share of contributions	302,417	29,322	1,223	322,614
Changes in assumptions	853,442	39,659	1,750,759	46,667
Contributions subsequent to the measurement date	330,012	-	327,803	-
	$ 1,634,874	$ 843,720	$ 2,287,217	$ 4,929,087

The $330,012 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, 2023. 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:

8. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

Year ending September 30,	
2023	$ (92,676)
2024	(101,126)
2025	(112,885)
2026	(17,728)
2027	(21,013)
Thereafter	(7,608)
	$ (353,036)

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

Actuarial valuation date	June 30, 2022
Actuarial roll forward date	September 30, 2022
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, 2021 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.

8. 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 %	1.95 %
Fixed income - credit	20 %	1.06 %
Fixed income - interest rate sensitive	10 %	(0.02)%
Real estate	20 %	1.20 %
	100 %	4.19 %

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	$ 24,523,286	$ 16,317,589	$685,223,506

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

8. 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%	

8. 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, 2022, 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	5	5
Active members	11	16
	35	48

8. 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, 2022 and 2021, 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	
	2022	2021	2022	2021
Employer contribution rates (Tier 1 & 2):	-%	95.19%	-%	97.55%
Employer health contribution rates	0.00%	0.00%	-%	0.02%
Employer pension contributions rates	-%	95.19%	-%	95.53%
Employer contributions	$-	$13,031,387	$-	$16,507,129
Employer contributions rates Tier 3	-%	89.39%	-%	92.43%
Employer pension legacy cost rates	-%	79.45%	-%	82.49%
Employer health contributions rates	-%	0.26%	-%	0.26%
Employer pension contributions rates	-%	9.68%	-%	9.68%
Employee contribution rates:				
Tier 1	-%	7.65%	-%	7.65%
Tier 2	-%	11.65%	-%	11.65%
Tier 3	- %	9.94 %	- %	9.94 %

Liability - At September 30, 2022 and 2021, the TAA reported the following net pension/OPEB liabilities (assets) for its PSPRS pension/OPEB plans:

	Fire		Police	
	2022	2021	2022	2021
Net pension/OPEB liability (asset)	$ 2,122,108	$ (426,421)	$ 1,600,205	$ (1,285,140)

The net pension/OPEB liabilities were measured as of June 30, 2022 and 2021, 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.

8. 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, 2022 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

8. 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, 2022, estimates are summarized in the following table:

Asset class	Target allocation	Long-term expected geometric real rate of return
U.S. public equity	24 %	3.49 %
International public equity	16 %	4.47 %
Global private equity	20 %	7.18 %
Other assets (capital appreciation)	7 %	4.83 %
Core bonds	2 %	0.45 %
Private credit	20 %	5.10 %
Diversifying strategies	10 %	2.68 %
Cash - Mellon	1 %	(0.35)%
	100 %	

Discount rate - At June 30, 2021, the discount rate used to measure the total pension/OPEB liability was 7.20%. 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).

8. Pension and other postemployment benefits (continued):

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

Changes in the net pension liability - Tucson Airport Authority Fire Department 2022

Measurement date June 30, 2022

	Total pension / OPEB liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balances at June 30, 2021	$ 20,182,740	$ 20,598,022	$ (415,282)
Adjustment to beginning of year	-	33,178	(33,178)
Changes for the year:			
Service cost	251,352	-	251,352
Interest on the total pension liability	1,442,159	-	1,442,159
Differences between expected and actual experience in the measurement of the pension liability	(39,149)	-	(39,149)
Changes of assumptions or other inputs	365,031	-	365,031
Contributions - employer	-	157,153	(157,153)
Contributions - employee	-	85,731	(85,731)
Net investment income	-	(798,911)	798,911
Benefit payments, including refunds of employee contributions	(1,356,971)	(1,356,971)	-
Administrative expense	-	(14,432)	14,432
Effect of tier 3 plans	-	-	(19,284)
Net changes	662,422	(1,927,430)	2,570,568
Balances at June 30, 2022	$ 20,845,162	$ 18,703,770	$ 2,122,108

8. 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, 2021

	Total pension / OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (asset) (a) - (b)
Balances at June 30, 2021	$ 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, 2022	$ 20,182,740	$ 20,598,022	$ (426,421)

8. Pension and other postemployment benefits (continued):

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

Changes in the net pension liability - Tucson Airport Authority Police Department 2022

Measurement date June 30, 2022

	Total pension / OPEB liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balances at June 30, 2021	$ 22,907,556	$ 24,181,501	$ (1,273,945)
Adjustment to beginning of year	-	-	-
Changes for the year:			
Service cost	410,883	-	410,883
Interest on the total pension liability	1,650,164	-	1,650,164
Differences between expected and actual experience in the measurement of the pension liability	(107,931)	-	(107,931)
Changes of assumptions or other inputs	313,399	-	313,399
Contributions - employer	-	230,363	(230,363)
Contributions - employee	-	128,889	(128,889)
Net investment income	-	(942,479)	942,479
Benefit payments, including refunds of employee contributions	(1,426,894)	(1,426,894)	-
Effect of Tier 3 plans	-	-	7,380
Administrative expense	-	(17,028)	17,028
Net changes	839,621	(2,027,149)	2,874,150
Balances at June 30, 2022	$ 23,747,177	$ 22,154,352	$ 1,600,205

8. 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, 2021

	Total pension / OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (asset) (a) - (b)
Balances at June 30, 2021	$ 22,558,814	$ 5,695,600	$ 16,863,214
Adjustment to beginning of year	-	(46,874)	46,874
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, 2022	$ 22,907,556	$ 24,181,499	$ (1,285,140)

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 (6.20%)	Current discount rate (7.20%)	1% increase (8.20%)
TAA's net pension/OPEB liability (asset) - Fire Department	$ 4,684,487	$ 2,122,108	$ 37,986
TAA's net pension/OPEB liability (asset) - Police Department	$ 4,495,146	$ 1,600,205	$ (812,188)

8. Pension and other postemployment benefits (continued):

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

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

Fire Department Pension/OPEB expense and deferred outflows/inflows of resource - For the years ended September 30, 2022 and 2021, the TAA recognized pension expense for PSPRS Fire of $- and $1,575,044. At September 30, 2022 and 2021, the TAA reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	2022		2021	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 318,061	$ 38,245	$ 502,061	$ 13,232
Changes in assumptions	345,352	1,546	142,723	318
Net difference between projected and actual earnings on plan investments	999,785	-	-	1,046,783
Contributions subsequent to the measurement date	95,493	-	63,259	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	913	3,877	1,004	1,748
	$ 1,759,604	$ 43,668	$ 709,047	$ 1,062,081

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, 2023. 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
2024	$ 548,499
2025	377,490
2026	215,487
2027	452,275
	$ 1,593,751

8. 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, 2022 and 2021, the TAA recognized pension expense for PSPRS Police of $- and $1,546,657. At September 30, 2022 and 2021, the TAA reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	2022		2021	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 448,771	$ 298,148	$ 870,104	$ 315,071
Changes in assumptions	350,707	784	218,467	-
Net difference between projected and actual earnings on plan investments	1,250,889	-	-	1,144,741
Contributions subsequent to the measurement date	138,263	-	88,810	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,667	6,359	6,799	6,782
	$ 2,205,297	$ 305,291	$ 1,184,180	$ 1,466,594

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, 2023. 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
2024	$ 759,039
2025	211,260
2026	229,291
2027	537,858
	$ 1,737,448

9. 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, 2022 and 2021, the TAA earned PFCs of $6,502,174 and $4,628,663.

10. 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 12, the financial statements do not include any liability for uninsured claims at September 30, 2022 and 2021.

11. Commitments:

Commitments for contractual services for federally funded and other construction projects at September 30, 2022 totaled approximately $___________. These commitments will be funded in whole or in part by federal and state grants of $___________ and the TAA’s previously issued revenue bonds and TAA funds, as necessary, of $______________.

12. 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.

12. 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 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.

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:

	2022	2021
Environmental remediation liability, beginning of year	$ 23,920,902	$ 23,696,686
Current year expense	1,315,930	1,334,189
Investment earnings on environmental remediation trust assets	489	2,511
Current year payments	(3,670,022)	(1,112,484)
Environmental remediation liability, end of year	$ 21,567,299	$ 23,920,902
Environmental remediation liability:		
Current - payable from unrestricted assets	$ 4,473,897	$ 5,678,529
Current - payable from restricted assets	572,412	392,447

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

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

Long-term - payable from unrestricted assets	16,520,990	17,849,926
	$ 21,567,299	$ 23,920,902

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,

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

Other contingencies (continued):

based on consultations with legal counsel, these matters are considered immaterial to the TAA or will be covered by insurance.

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

13. Concentrations:

Concession fees from the airport rental car operations amounted to approximately 20% and 15% of total operating revenues for the years ended September 30, 2022 and 2021. Net revenues from the airport parking lot operations amounted to approximately 18% and 12% of total operating revenues in the years ended September 30, 2022 and 2021.

14. Restatement:

In connection with adopting GASB 87, the TAA restated certain balances at September 30, 2021. The TAA recorded lease receivables totaling $90,547,036 and deferred inflows related to leases totaling $89,439,086 for the year ended September 30, 2021. In addition, net position increased from $440,249,026 to $443,000,496 at September 30, 2021 and the change in net position increased by $2,751,470 for the year then ended.

15. 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, 2022 and 2021, restricted net position is as follows:

September 30, 2022	Environmental trust	Debt service	Capital projects	Total restricted
Assets:				
Cash and cash equivalents	$ 572,411	$ -	$ 2,228,473	$ 2,800,884
Investments	-	-	21,534,922	21,534,922
Accounts receivable	-	-	982,305	982,305
Accrued interest receivable	-	-	29,005	29,005

15. Restricted net position (continued):

Total restricted assets	$ 572,411	$ -	$ 24,774,705	$ 25,347,116
Liabilities:				
Environmental remediation payable	$ 572,411	$ -	$ -	$ 572,411
Total restricted net position	$ -	$ -	$ 24,774,705	$ 24,774,705

September 30, 2021	Environmental trust	Debt service	Capital projects	Total restricted
Assets:				
Cash and cash equivalents	$ 392,447	$ -	$ 1,443,206	$ 1,835,653
Investments	-	-	20,923,339	20,923,339
Accounts receivable	-	-	876,384	876,384
Accrued interest receivable	-	-	43,342	43,342
Total restricted assets	$ 392,447	$ -	$ 23,286,271	$ 23,678,718
Liabilities:				
Environmental remediation payable	$ 392,447	$ -	$ -	$ 392,447
Total restricted net position	$ -	$ -	$ 23,286,271	$ 23,286,271

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Required Supplementary Information