2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Years Ended September 30, 2018 and 2017
Tucson Airport Authority
Tucson, Arizona

TUCSON AIRPORT AUTHORITY
TUCSON INTERNATIONAL AIRPORT • RYAN AIRFIELD

2018

TUCSON AIRPORT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Prepared by the Finance Department
Years Ended September 30, 2018 and 2017

Tucson, Arizona

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Mission Statement

The mission of the Tucson Airport Authority is to promote aviation and foster economic development by strategically planning, developing and operating the most effective and efficient airport system for southern Arizona.

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INTRODUCTION

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March 29, 2018

Board of Directors
Tucson Airport Authority
7250 S. Tucson Blvd, Suite 300
Tucson, Arizona 85756

Ladies and Gentlemen:

It is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the Tucson Airport Authority, Inc. (Authority) for the fiscal year (FY) ended September 30, 2018. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with management of the Authority. To the best of our knowledge and belief the enclosed information is accurate and complete in all material respects and reported in a manner designed to present fairly the financial position, results of operations, and cash flows in accordance with Generally Accepted Accounting Principles (GAAP).

GAAP requires that management provide a narrative overview and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This introductory letter should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditors in the financial section of the CAFR.

Organization

The Authority was established on April 12, 1948, as a civic, non-profit corporation, as provided for under Arizona law, to develop, promote, operate and maintain airports and air transportation facilities adjacent to the City of Tucson (City) and in Pima County (County). Under Arizona law, the City is authorized to acquire, own, control, equip, improve, maintain, operate, and regulate airports and enter into agreements with corporations engaged in the air transportation industry for the operation of airports. The Authority operates Tucson International Airport (TUS) and Ryan Airfield (Ryan) as an essential government function under Arizona law.

The Authority's bylaws call for active membership of up to 60 individuals who are residents of TUS's service area. Membership vacancies are filled through a nomination process and election by active members at each annual meeting. The Authority's Board of Directors (Board) consists of no more than eleven and no less than seven Authority members, including two ex-officio members, the immediate past chair and the president/chief executive officer (CEO). The remaining directors are elected by active Authority members, typically to staggered terms of three consecutive years, and may serve a maximum of two successive terms. As of September 30, 2018 there were eight elected and two ex-officio board members. Directors receive no salary or compensation for their services, but by resolution of the Board may be reimbursed for actual expenses paid or obligated to be paid in connection with services rendered solely for the benefit of the Authority.

The Board appoints the CEO, who serves at its pleasure. The Authority's staff is organized into three divisions, each managed by a Vice President appointed by and reporting directly to the CEO. These three divisions are Administration and Finance, Operations, and Planning and Engineering. Additionally, the CEO appoints a General Counsel reporting directly to the CEO. The organizational chart that follows this letter reflects the operational structure as of September 30, 2018.

The Authority's airport system consists of TUS and Ryan. TUS is a commercial service airport serving the Tucson metropolitan area, southern Arizona and northern Sonora, Mexico. Ryan serves as a general aviation reliever airport for TUS.

TUS encompasses 8,343 acres of land and is located eight miles south of the City's central business district. There are approximately 130 separate buildings on the airport property providing approximately 2.5 million square feet of floor space.

On October 14, 1948, the City and the Authority entered into a 25-year lease for TUS. A March 15, 1971 amendment extended the term of the lease to October 14, 2023 and provided an option to extend the term of the lease to October 14, 2048. The Authority exercised this extension option in 1986. A July 7, 2015 amendment extended the term of the lease to October 14, 2073 and provided an option to extend the term of the lease to October 14, 2098. The Authority exercised this extension option in 2016.

Organization (continued)

The TUS lease obligates the Authority to make rent payments to the City, calculated by taking gross operating revenues and deducting operating expenses and certain other funding requirements. The Arizona Superior Court, in and for the County, approved the validity of the lease and ruled that in calculating rents due the City, the Authority may deduct a sum equal to the total amount required to pay all of its outstanding obligations, regardless of what amount may be due in any year. The Authority has not been required to make any payments to the City under this formula and does not expect an obligation to do so while its revenue bonds are outstanding.

Ryan, located 12 miles southwest of downtown Tucson, encompasses 1,804 acres of land and accommodates a wide variety of general aviation and military activity. The Authority holds a separate lease for Ryan with the City that expires in 2053. The lease was originally entered into with the State of Arizona on August 31, 1954, but ownership of the land was transferred by the State of Arizona and accepted by the City on December 21, 1959. Annual lease payments are based on a nominal amount ($.05 per acre), plus 10% of Ryan's net profits. The Authority has not been required to make any payments to the City under the percentage of net profits provision and does not expect an obligation to do so in the foreseeable future.

Economic Conditions and Outlook

2018 Air Travel Industry Recap

2018 marked another year of significant growth in both seat capacity and passenger numbers for U.S. airlines, driven by a strong and growing economy. A competitive environment, particularly with higher than average growth by ultra-low cost carriers kept airfares low and more people traveling. On the expense side, rising labor and jet fuel costs put additional pressure on airline profit margins. On balance, airline trade group Airlines for America estimated that U.S. airlines combined earned $13.8 billion in pre-tax profit in 2018 compared to $17.6 billion in 2017. By historical standards, 2018 industry profits were still high, although they have declined in each of the last two years.

According to figures from the U.S. Department of Transportation Bureau of Transportation Statistics, total U.S. airline passengers in 2018 increased 4.9% from the previous year. Seat capacity expanded by 5.5%, resulting in airline average load factor decreasing slightly to 84.5% from 84.6% in 2017. Continuing a trend begun in 2016, the rate of increase in capacity and passenger levels at small and medium hub airports was greater than at large hub airports in 2018.

Experiencing sustained profits and still concerned about the price of jet fuel, airlines continued to replace aging aircraft with new, more fuel-efficient models. As part of this process, smaller regional jets (50-seat and less), which are less fuel-efficient on a per-passenger basis than larger aircraft, are being phased out. Additionally, many older model mainline narrow body jets are being replaced by newer models with greater seat counts. As smaller aircraft are replaced with larger ones, many smaller airports have experienced either loss of service altogether on routes currently with a single daily flight where a larger aircraft size cannot be justified, or fewer flights per day on routes that currently have multiple flights per day, or both. However, in other cases where passenger growth can support it, substituting larger aircraft for smaller ones has resulted in more seats being available on certain routes.

2019 Air Travel Industry Outlook

The financial health and profitability of U.S. airlines is expected to continue in 2019 due to an expectation of continued U.S. economic growth, resulting in strong travel demand. Fleet renewal programs continue and the replacement of small regional jets is again expected to gradually impact smaller airports. North American airline capacity growth in 2019 is forecasted by the International Air Transport Association to increase by 4.3%, down slightly from 2018. As in recent years, the growth is expected to be driven primarily by low cost and ultra-low cost carriers, but legacy carriers also plan increases as they continue to look at strengthening their fortress hubs. Opportunities for additional service at small and medium hub airports are expected to be good as increasing passenger numbers make more nonstop destinations from these airports viable.

State and Local Economic Outlook

Economic conditions are an important factor in how often people travel. This in turn impacts passenger levels at airports, how much money passengers and visitors spend at airports, and airline decisions on maintaining and adding new service at individual airports.

The U.S. Census Bureau defines the Tucson Metropolitan Statistical Area (MSA) as being all of Pima County. The County covers an area of approximately 9,200 square miles and, according to the Arizona Department of Administration Office of Employment and Population Statistics, had an estimated population of 1,034,201 as of July 1, 2018, which represents an increase of 0.8% from July 1, 2017. The Tucson metro area consists of about 495 square miles that contains more than 95% of the County's population, including the incorporated municipalities of Tucson, Marana, Oro Valley, Sahuarita and South Tucson. 35% of the County's population resides in unincorporated areas. The metro area is the origin or destination of almost all airport users.

Economic Conditions And Outlook (continued)

State and Local Economic Outlook (continued)

Tourism and recreation are important components of the Tucson economy. The area has a sunny climate with a high temperature averaging 82 degrees and a low of 55. Average annual precipitation is approximately 11 inches. Tucson averages 350 days of sunshine a year, creating ideal conditions for year-round play at approximately fifty golf courses in and around the city. These and other visitor benefits are aggressively marketed by local businesses and Visit Tucson, the area's destination marketing organization. Tourism has been a significant contributor to past growth in annual passenger traffic at TUS.

The Tucson area is also home to a diverse group of employers in industry sectors such as aerospace, defense, biotechnology and mining. Davis-Monthan Air Force Base in Tucson and Fort Huachuca Army Intelligence Center southeast of Tucson are also two of the area's largest employers. The University of Arizona, Pima Community College and a large health care sector are other significant sources of jobs for southern Arizona residents.

For a variety of reasons, Tucson's and Arizona's economies lagged most of the rest of the country in the post-2008 recession years, but began accelerating in 2016. The Eller College of Management's Economic and Business Research Center at the University of Arizona expects Tucson's job growth in 2019 to be 1.7%, down slightly compared to 2018's forecast increase of 1.8%. Most of the job growth is forecast to be in service-providing sectors, especially education and health services; trade, transportation and utilities; and leisure and hospitality. Personal income in the Tucson MSA for 2019 is forecast to increase by 5.2%, improving from the 4.9% growth forecast for 2018. This growth can be an indicator of increases in consumer discretionary spending, which bodes well for travel demand. George W. Hammond, Director of the Eller College of Management's Economic and Business Research Center at the University of Arizona, in the December 2017 issue of Arizona's Economy, notes that "With accelerating gains, the Arizona economy is set to carry significant momentum into the new year."

Air Service at Tucson International Airport

TUS is the principal air carrier airport serving metropolitan Tucson, southern Arizona and northern Sonora, Mexico. The Authority considers Pima County as its primary airport service area.

The Authority focuses its strategic air service development effort on achievable goals that are consistent with the community's needs and the dynamics of the airline industry. TUS is subject to competition for airline services and passengers residing in the Tucson service area, with Phoenix Sky Harbor Airport 110 highway miles to the north. TUS's competitive position is strengthened economically through its relationships with key air service stakeholders that include Visit Tucson (the region's destination marketing organization), the Metropolitan Tucson Chamber of Commerce, the Southern Arizona Leadership Council and Sun Corridor, Inc. (the region's economic development organization).

The Authority's primary air service objectives are to accommodate demand by increasing nonstop services throughout the U.S. to new and existing hub destinations with new and incumbent carriers, while reducing both leakage and spillage of passengers to Phoenix. Leakage refers to passengers consciously choosing to use an airport other than the airport closest to their home for reasons such as more flight options or lower fares. Spillage refers to passengers using another airport because they are unable to find a seat available at their home airport when they want to travel. Emphasis has also been directed toward attracting carriers that could serve key destinations in Mexico and Canada.

The airlines that provide regularly scheduled service to TUS include network carriers, their wholly owned regional carrier subsidiaries, and contract regional carriers. As no single carrier holds a dominant market position, competition remains robust along Tucson's top origin and destination routes.

Like most airports nationwide, TUS began experiencing significant jet fuel cost and demand-related service cuts beginning in late summer 2008, a situation accelerated by the following severe economic recession. Smaller airports similar in size to TUS and having relatively greater proportions of leisure travelers (as TUS does) were among the hardest hit as airlines also refocused route networks on their large hub operations. After a number of years of stabilization in seat capacity at smaller airports like TUS, the continued effects of airline consolidation and the evolution of new airline business models resulted in another round of seat capacity reductions in 2013 and 2014 at airports similar in size and characteristics to TUS. In Tucson, the 2013 and 2014 reductions were concentrated with Southwest Airlines as they made significant adjustments to their route network and redeployed aircraft to prepare for and implement significant flight additions at Dallas Love Field upon the complete removal of Wright Amendment flight restrictions in October 2014.

While passenger traffic levels overall in the U.S. and in Tucson fell significantly in 2008 and 2009, airline seat capacity fell at an even greater rate. Consequently, airline load factors increased and have remained at levels that are approaching full passenger capacity. In this environment, increases in passenger levels are highly dependent on the addition of new capacity.

TUS's total passenger traffic rose from 3,413,451 in FY 2017 to 3,551,159 in FY 2018, an increase of 4%. This followed

Economic Conditions And Outlook (continued)

Air Service at Tucson International Airport (continued)

passenger increases of 5.7% in FY 2017 and 1.5% in FY 2016. Total scheduled inbound/outbound seat capacity in FY 2018 increased 2.3% from FY 2017, after an increase of 1.8% in FY 2017 compared to FY 2016.

Twenty destination airports were served nonstop from TUS in FY 2018, which was the same as in FY 2017. The nonstop destinations served in FY 2018 were:

- Atlanta (ATL)
- Austin (AUS)
- Charlotte, NC (CLT)
- Chicago O'Hare (ORD)
- Chicago Midway (MDW)
- Dallas/Ft. Worth (DFW)
- Denver (DEN)
- Houston Bush (IAH)
- Houston Hobby (HOU)
- Las Vegas (LAS)
- Los Angeles (LAX)
- Minneapolis (MSP)
- Oakland (OAK)
- Phoenix (PHX)
- Portland (PDX)
- Salt Lake City (SLC)
- San Diego (SAN)
- San Francisco (SFO)
- San Jose (SJC)
- Seattle (SEA)

The most significant air service developments in FY 2018 were American adding daily service to Charlotte and Via Airlines adding three times weekly service to Austin. These two additions in FY 2018 were offset by the loss in FY 2017 of American's New York JFK service and Aeromar's service to Hermosillo, Mexico.

The FY 2018 outlook for additional scheduled airline service at TUS is positive. Already announced, all starting in November 2018, are twice weekly flights to both Bellingham, WA and Provo, UT with the entry of Allegiant Airlines to the Tucson market; Frontier Airlines' return to Tucson with four times weekly service to Denver, competing on that route with Southwest and United; and Southwest adding daily service to San Jose, competing with Alaska on the route. Continuing a trend seen over the last several years, a number of existing routes continue to see smaller aircraft being replaced by larger aircraft with no decreases in frequency, which provides for additional seat capacity on those routes. In particular during Tucson's winter/spring tourism busy season, a number of airlines are adding significant seat capacity on existing routes including Seattle, Minneapolis, Portland and Chicago.

The Authority believes that sufficient demand exists for year-round daily service to domestic destinations such as Albuquerque, Boston, Detroit, New York, Philadelphia and Washington, D.C. Less than daily year-round service to a limited number of destinations in Mexico and seasonal service from one or more Canadian cities are also believed to be viable. Additionally, current load factors suggest the need for increased capacity on existing routes such as Minneapolis and Portland. The improving economy in southern Arizona and renewed competition among airlines will help with efforts to secure new routes.

Major Initiatives

CAPITAL IMPROVEMENT PROGRAM

The Authority's Board and management are responsible for the development of TUS and RYN. As such, the Board approved Master Plan updates for TUS in 2013 and for RYN in 2011 that set out overall development plans to address future airport capital needs. The TUS Master Plan also included a land use plan which identifies the highest and best use of property owned by the Authority and identifies land which should be acquired in the future for expansion. The Authority addresses Master Plan and any new capital spending needs that arise through its Capital Improvement Program (CIP), which is updated and adopted annually.

Capital improvement projects require funding apart from routine operating expenses. Such projects entail the purchase, construction, or replacement of the physical assets of the Authority. The purpose of the CIP process is to evaluate, prioritize, and coordinate proposed projects for a five-year period. The compilation of the CIP has as its primary goal the development of a detailed capital budget for the current fiscal year and a plan for capital development during the four subsequent years. The Board, by approving the CIP, sets a strategy and schedule for budgeting and constructing facilities at TUS and RYN.

Funding for CIP projects can come from a variety of sources including grants from the Federal Aviation Administration (FAA), the Arizona Department of Transportation (ADOT) and other governmental agencies, or from Passenger Facility Charges (PFCs) and Tucson Airport Authority (TAA) operating revenues.

Major Initiatives (continued)

CAPITAL IMPROVEMENT PROGRAM (continued)

FY 2018 Completed CIP Construction and Projects at TUS (greater than $75,000)

Replace ARFF Vehicle. Purchase a replacement Aircraft Rescue & Fire Fighting (ARFF) vehicle. The vehicle was equipped with a 3,000-gallon water tank, 400-gallon foam tank, 500-pound dry chemical tank and a HRET (High Reach Extendable Turret) and various additional fire apparatus and turnouts. Cost: $897,378. Vendors: Oshkosh Airport Products and LN Curtis & Sons.

Solar Photovoltaic Project – Phase 2. Construction of a solar canopy structure within additional areas of the main terminal parking lot at TUS. The solar canopy will generate 1.5 MGW of power annually that will be fed into the terminal complex central plant electrical system. Cost: $7,693,971. Consultant: Monrad Engineering. Contractor: Sturgeon Electric.

FY 2018 Completed CIP Construction and Projects at RYN (greater than $75,000)

Reconstruction of South Apron. Reconstruction of the south aircraft apron asphalt pavement (approximately 24,586 square yards). Cost: $1,977,280. Consultant: Stantec Engineering. Contractor: KE&G Construction.

FY 2018 CIP at TUS – Ongoing and New Projects (greater than $500,000)

CCTV Upgrades/LAN Redundancy. $4.7 million. Update security surveillance system to IP-based high-definition cameras, replacing the existing analog matrix switch and stand-alone digital video management system with virtual video server and storage. Project also includes installation of a Local Area Network (LAN) redundant coverage of cabling network for continuity of operations.

Terminal Optimization Project. $28.3 million. Relocation and enlargement of the security screening checkpoints, improving the efficiency of underutilized space, increasing concession space and improving critical building systems to enhance functionality and extend the life of the passenger terminal building.

Reconstruct Runway 11L/29R, Connecting Taxiways & Shoulders. $19.8 million. Design and construction for the mill and overlay of Runway 11L/29R, connecting taxiways and shoulders.

EIS for Relocated Runway11R & Associated Taxiways. $4.3 million. Environmental Impact Study (EIS) for relocation of Runway 11R and associated taxiway enhancements. Includes an inventory of environmental resources within the project area, an assessment of alternatives, analysis of impacts, and the identification of potential mitigation measures and/or findings of no significant impact.

TWY G Extension. $2.3 million. Extend Taxiway G approximately 1,000 feet southeast to facilitate development of aviation-related commercial and industrial property.

Reconstruct Taxiway D, Shoulders & Connectors. $9.8 million. Reconstruct (mill and overlay) Taxiway D, Shoulders and Connectors.

FY 2018 CIP at RYN – Ongoing and New Projects (greater than $500,000)

Drainage Channel and Dike. $2.6 million. Design and construct an earth dike and adjacent drainage channel in accordance with Federal Emergency Management Administration standards.

Ryan Master Plan Update. $834,000. Update the existing Master Plan for Ryan Airfield. Forecasts, development alternatives, financial plan, strategic plan and security assessment will be included.

MAJOR MAINTENANCE PROGRAM

The Authority’s Board and management are responsible for the maintenance of TUS and RYN. Accordingly, the Board approves a Major Maintenance Program (MMP) as part of each year’s budget process. MMP projects require funding apart from routine maintenance operations. The purpose of the MMP is to evaluate, prioritize, and coordinate proposed projects for a five-year period.

FY 2018 Completed MMP Projects at TUS (greater than $75,000)

GA Hangar Area B1 Pavement Replacement. Replacement of pavement around lots B16, B18 and B20 and other common area pavement with 2.5” asphaltic concrete on 4” ABC lime treated subgrade. Project also included mill and overlay of Airport Drive adjacent to Gate 79 including signage, marking and striping. Cost: $1,057,213. Consultant: C & S Companies. Contractor: Pavex Corporation.

LED Fixture Acquisition (Phase 1 & 2). Replace existing lighting with new LED fixtures through TUS complex. Cost: $1,072,560. Consultant: Monrad Engineering. Contractor: Sellers & Sons. Vendor: Graybar.

MAJOR MAINTENANCE PROGRAM (continued)

Replace Concourse A & B Hold Room Area Carpet. Replace existing carpet in Concourse A & B Hold Rooms. Cost: $261,923. Contractor: Sundt Construction.

Safety and Pavement Upgrades in Tug Alley. Repair concrete and install barriers (bollards and railing) to protect bag belts and existing concrete pillars. Cost: $126,738. Contractor: Kittle Design & Construction.

Landscape Improvement Project. Remove turf and install landscaping around TAA Building B-304; install drought tolerant sustainable landscaping with irrigation on Country Club from Corona to Los Reales Road and along Valencia Road and Plumer Avenue. Cost: $191,742. Contractor: Northwest Landscaping.

FEDERAL AND STATE FUNDING

The Authority participates in the FAA's Airport Improvement Program (AIP), which provides Airport and Airway Trust Fund money for airport development, airport planning, and noise compatibility programs. The FAA offers both entitlement and discretionary grants for eligible projects. Grants received under this program in FY 2018 totaled $643,510. The FAA has awarded $119 million in grants to the Authority during the past ten years.

The State of Arizona also provides grant assistance to airports. These grants may cover up to half of the Authority's required match for AIP projects or full funding for projects of smaller size and scope. Grants received under this program in FY 2018 totaled $849,493. ADOT has awarded $16 million to the Authority during the past ten years.

PASSENGER FACILITY CHARGE PROGRAM

Passenger Facility Charges (PFCs) are fees imposed on enplaned passengers by airport sponsors to generate revenues for airport projects that increase capacity, enhance competition among and between air carriers, enhance safety or security, or mitigate noise impacts. PFCs were established by Title 49 U.S.C. §40117, and authorized airport sponsors to collect PFCs in the amount of $1.00 to $3.00 per eligible enplaning originating and connecting passenger. The Aviation Investment and Reform Act (AIR-21) increased the maximum PFC airport sponsors could collect to $4.50 per enplaning passenger. In return for the right to assess PFCs in the amount of $1.00 to $3.00, large and medium hub airports must forego up to 50% of their AIP entitlement grants. Large and medium hub airports that collect a PFC of $4.00 or $4.50 must forego 75% of their AIP entitlement grants. Airport sponsors planning to impose PFCs must apply to the FAA and meet specific requirements set forth in the enabling legislation. Airport operators may impose PFCs after receiving written approval and authorization from the FAA. As a small hub airport, TUS is currently not subject to AIP entitlement grant reductions.

Beginning February 1, 1998, the Authority imposed a PFC of $3.00 per eligible enplaning passenger at TUS under the terms of its initial PFC application and the Record of Decision (97-01-C-01-TUS) issued by the FAA. In March 2006, the Authority submitted to the FAA an amendment to its existing PFC program to increase the current PFC level from $3.00 to $4.50 per eligible enplaned passenger and a new application to impose and use PFCs at the $4.50 level for the Concourse Renovation Project. On June 6, 2006, the Authority received approval for the new application (06-02-C-00-TUS) and on April 7, 2006, the Authority received approval for the amendment. The increase in the PFC level from $3.00 per enplaning passenger to $4.50 began October 1, 2006. On December 15, 2017, the Authority received approval for a new application (17-03-C-00-TUS) for the Terminal Optimization Project. The Authority currently has approval from the FAA to collect $117,744,485 under PFC application 97-01-C-03-TUS, $44,194,512 under PFC application 06-02-C-00-TUS, and $17,351,019 under PFC application 17-03-C-00-TUS, extending through February 1, 2027. As of September 30, 2018, the Authority had earned $125,853,938 in PFCs since the inception of the program, plus associated interest.

The current $4.50 PFC is expected to continue generating between $6 million and $7 million of revenue annually. The FAA's PFC approvals included authorization to utilize PFCs for the payment of principal and interest on general airport revenue bonds issued to pay construction costs related to eligible projects. PFCs are currently being used to pay debt service on subordinate lien revenue bonds for landside terminal expansion in 2001, land acquisitions completed in 2005 and the Concourse Renovation Project completed in 2008.

Major Initiatives (continued)

LEASING, BUSINESS DEVELOPMENT AND CONCESSION ACTIVITY

An economic impact study of the Tucson Airport Authority completed by Elliott D. Pollack & Co. in March 2018 calculated that TUS and RYN in 2017 contributed a $7.4 billion total economic impact to southern Arizona's economy. With hundreds of acres of developable land holdings both on-airport and off-airport, the Authority is positioned to continue to build on this impact in the future. In order to accelerate efforts in this regard, the Authority in April 2018 entered into a professional services agreement with Sun Corridor, Inc. (SCI), the region's economic development organization, to further the Authority's economic development and airport marketing efforts. These efforts will not only benefit the entire region as Authority property is developed and jobs are created, but also directly enhance airport revenues through property leasing and increased airport usage. The agreement draws on SCI's expertise to develop and market the Authority's assets through strategic site planning and marketing; connecting the Authority to local, national and international site selectors and developers; and providing critical data and analysis for air service development. Business retention and expansion at both TUS and RYN will also be an area of focus. Targeted industries include aerospace and aviation, air cargo and logistics/multi-modal transportation.

To further planning efforts for potential large-scale development of an approximate 550 acre land parcel south of TUS, the Authority conducted engineering and feasibility studies for an industrial park concept at this site. This property is one of the last large vacant land areas in the Tucson area that is available for significant industrial development. The Authority also continued roadway, utility and taxilane infrastructure improvements in order to open up a new area on the west side of TUS for hangar development. One parcel of land in this area has already been leased for a new hangar to be used by the Arizona Department of Public Safety. Renovations also continued on a landside warehouse building on the west side of TUS targeted for leasing to aviation-related businesses. Concept plans to aid in marketing efforts were also developed for two shovel-ready sites on-airport at TUS that are ideally suited for aircraft maintenance, repair and overhaul (MRO) or aircraft manufacturing businesses.

In an effort to attract new air carriers desiring a different fee structure than that available in the TUS main terminal, the Authority's Board of Directors in June 2018 approved plans to renovate a former international passenger gate area to be used for a new domestic gate designed to operate on a "per turn" fee basis.

Construction on terminal concessions spaces continued in FY 2018 relating to new food & beverage and news & gift master concession contracts which were effective on March 1, 2017. A Request For Proposals (RFP) was issued in March 2016 for new terminal concession operators for both the News and Gift and the Food and Beverage programs. Goals for the new program included providing passengers with a mix of local, regional and national brands and concepts; featuring local and regional owner-operated business; incorporating a strong sense of place from a concept and design standpoint; and optimizing sales and rental revenues. Expanded space for the new programs was made available through a terminal project that relocated TSA security checkpoints to underutilized space at the far ends of the ticketing lobby. Most new news & gift outlets opened by the end of FY 2017, while most new food & beverage outlets opened in FY 2018.

An RFP process was conducted in FY 2018 to select taxi operators to provide on-demand pick-up service at TUS. New contracts with the selected operators began on June 1, 2018.

Financial Policies and Practices

BUDGETARY CONTROLS

An annual budget is prepared on a residual cost basis as established by Section 5.03(a) of the Airport Use Agreement dated April 27, 1977 for all accounts and funds established by the agreement. The annual budget serves as a foundation for the Authority's financial planning and control. All appropriations with the exception of those for open project accounts lapse at the end of each fiscal year. Since there is no legal requirement for the Authority to report on a budgetary basis, no additional budget information is presented in the accompanying financial statements.

Section 4 of the City of Tucson Agreement (Lease) dated October 14, 1948 requires the Authority to present a biennial version of the budget to the Mayor and City Council for information purposes. The annual budget is approved by the Board prior to its implementation and, in accordance with the Airport Use Agreement, is presented to the Airline Affairs Committee for review, but not approval.

The "residual cost" approach forms the basis of the Authority's contractual relationship with signatory airlines. This approach is common, but not universal, among U.S. airport operators. It is a methodology that encompasses the following concepts:

Residual Cost — a method of determining which costs are the responsibility of the airlines as payment to the Authority for providing, operating and managing the airport system (TUS and Ryan). The result is coverage of all Authority operating and capital improvement costs on a break-even basis.

Financial Policies and Practices (continued)

BUDGETARY CONTROLS (continued)

Airline Reserve Fund — the excess, if any, of revenues over costs calculated in accordance with the Airport Use Agreement at the end of each year.

Long-term Agreements — a common feature of residual cost contracts. The Authority's current agreement was executed in 1977 with an original expiration date of September 30, 2006. Through several amendments, the agreement was extended through September 30, 2018 and is currently continuing on a month-to-month basis. In recent years, the average length of most residual airport use agreements has decreased, with three to five years becoming more common.

Majority-In-Interest (MII) — a voting formula used by the signatory airlines in considering approval of significant capital expenditures and use of Airline Reserve Fund monies. The use agreement defines MII as a numerical majority of the signatory airlines that represent more than 50% of the total landed weight at the airport.

Exclusive Rights — rights provided to individual airlines through the Airport Use Agreement for the use of exclusive space to accommodate their operations and paid for in the form of rents.

Preferential Rights — rights provided to individual airlines through the Airport Use Agreement for the use of leased gate and holdroom space to accommodate their operations and paid for in the form of rents. The preferential rights concept was introduced at TUS with the recent use agreement extensions in order to allow the Authority more flexibility to accommodate future growth in air service.

Joint (or common use) Rights — rights provided to individual airlines for use of space in common with other users to provide baggage claim facilities and certain gate areas paid for in the form of rents.

To provide financial resources adequate to meet the Authority's needs, the Airport Use Agreement includes a formula for the calculation of rates and charges, including landing fees. This formula, the "Airport System Income Requirement," serves as a template in creating the annual budget, and is commonly referred to simply as the "Airport System." The formula consists of four elements:

- *Operation and Maintenance Expenses* — in addition to day-to-day operating requirements, this item provides for capital needs, short-term debt obligations, and any other requirements not included elsewhere in the formula.
- Debt Service Requirements — includes 125% of the principal and interest payments due in accordance with senior lien revenue bond resolutions and debt amortization schedules. The 25% excess is called "coverage." For subordinate lien revenue bonds where other revenue sources such as PFCs are not pledged for debt service, the excess coverage requirement is 10%. Providing coverage fulfills a covenant in the bond resolutions that requires this surplus as assurance to bond holders that adequate funds will be available to pay debt service requirements on a timely basis. In the normal course of business, the coverage is not needed and it flows through the airport system.
- Fund Replenishments — Fund Replenishments — provides for the funding and refunding of the various reserve funds required by the Authority's senior and subordinate lien bond resolutions and the Airport Use Agreement.
- Adjustments — 100% of operating income flows through the airport system. At year-end, certain revenues defined in the use agreement are transferred out of the airport system into the Special Reserve Fund and are excluded from the residual cost calculation. These revenues include:
    - 52% of the net income generated from designated "industrial area" developments, which are geographic locations at TUS.
    - Interest income earned from the investment of monies accumulated in the Special Reserve Fund and Insurance Reserve Fund.

Together, these four elements (Debt Service, Operations & Maintenance, Fund Replenishment, and Adjustments) comprise the "Total Gross Requirement." This requirement is then reduced by all of the available resources that include:

- Operating income.
- Beginning cash balance that is the coverage from the prior year, adjusted by any overage or shortfall from operations.

The net amount resulting from this calculation is the residual amount that is used to calculate landing fees required to be paid by the signatory airlines in order to "balance" the budget.

Financial Policies and Practices (continued)

LONG-TERM FINANCIAL PLANNING

One of the tools the Authority uses for long-term planning is the Master Plan, which was last updated for TUS in 2013. This document is prepared with the input of Authority staff, the signatory airlines and other key tenants and stakeholders. The Master Plan projects airport growth and then specifies the physical improvements that are needed to meet these projections of future demand. It consists of a technical report that specifies the logic and reasoning for the proposed capital improvements as well as large scale drawings that illustrate the physical layout of the improvements. The financial implications of a master plan are very important because they serve as the basis for requesting federal funds for the construction of capital improvements proposed in the plan. The Authority's most recent update of the Master Plan provides a flexible and cost-effective guide for the future development of TUS through the year 2030. Capital improvements recommended by the plan are demand-driven. This means that although there are a large number of projects proposed by the plan, only those that are needed as a result of actual increase in demand will be constructed. The most recent Master Plan Update for Ryan was completed in 2011. The plan is available for viewing on the Authority's website, flytucson.com.

The airport master plans form the basis for a multi-year capital improvement plan, which is updated on a regular basis. The plan typically contains at least five years of projections, longer if necessary for a particular need such as a bond-financing project or airline use agreement negotiations. Capital improvement plan assumptions are based on the best information available of needs on a project-by-project basis extending through the planning horizon.

CAPITAL FINANCING AND DEBT MANAGEMENT

Capital improvements that require long-term financing are typically funded using either Authority reserves or airport revenue bonds. Unrestricted Special Reserve Fund balances that are the result of the sharing of industrial area revenues with airline tenants, as described in the budgetary controls section of this letter, give the Authority considerable flexibility in financing capital improvements. The most significant benefit is that the Authority's share (amounts not reimbursed with grants or passenger facility charges) of most capital improvements is financed internally rather than through issuance of airport revenue bonds. This practice avoids bond issuance and interest costs, creates administrative efficiencies, and results in a lower total cost of financing for airline tenants. Reserve funds are restored as the costs of improvements are amortized, with interest, over their useful lives and paid back to the Authority by the airline tenants through rates and charges.

Capital expenditures for FY 2018 were financed through a combination of federal and state grants, internal financing from unrestricted reserve funds, and funds generated through the Airport System Income Requirement formula.

Other Information

COMMUNITY INVOLVEMENT

Authority employees continued to be actively engaged in civic and charitable activities in the community through its Airport Employees Community Effort (AECE) program. Some of those efforts in 2018 included events to collect donated items and raise funds for the Community Food Bank of Southern Arizona, Los Niños Elementary School, Toys for Tots, Special Olympics, Trees for Tucson, Heart of Tucson, Southern Arizona Network for Down Syndrome, Muscular Dystrophy Association, Sunnyside School District and Arizona Greyhound Rescue. In addition to the donated items, these events raised nearly $6,000 in cash for the various charities. AECE also organized quarterly Red Cross blood drives at TUS during 2018, resulting in 57 pints of blood donated.

ARTS AND CULTURE

The Authority's Arts & Culture Program creates a memorable environment that promotes southern Arizona's unique artistic and cultural heritage, while partnering with local artists and civic and nonprofit organizations to enhance the traveling public's experience during their first and last stop in Tucson.

In 2018, TUS held its first ever Local Art- Local Food event where guests explored the local art scene at the airport while getting a taste of local food that is now available for passengers as part of the new TUS food and beverage concession program. Activities included visiting with artists on display in three of the airport's main art galleries. A direct result of this summer program was an increased number of groups interested in taking guided tours of the airport's art collection that includes sculptures, paintings, tilework, and photography that make up over 100 pieces in the airport's collection created by artists living in southern Arizona and northern Mexico.

Other Information (continued)

ARTS AND CULTURE (continued)

Many new artist creations can be seen on retail and concession spaces, including Maderas Gallery's business center artwork, photographic sunsets and majestic scenes of the Sonoran Desert along Hudson News' concourse kiosks, images of historic architecture and desert scenes on the walls in food venues and in ceramic tile works on the outside walls of the pre-security retail store, and even backlit art panels lining the walls of the two security checkpoints.

Back in 1987, the rotating art exhibits program started with one gallery hosting two exhibits a year. Now there are five gallery spaces throughout the terminal that hosted 26 changing exhibits representing 207 artists living in southern Arizona and northern Mexico. And the airport continues to show-off the talent of its very own employees in the ARTport.

Other highlights of the airport art program include educational exhibits and displays from Arts for All, Pima Community College, Tucson Jazz Society, the Tucson Rodeo Museum, Udall Parks In Focus, Native Grasses of the Apache Highlands and one display highlighting southern Arizona's long history of aviation, featuring Tucson's very own Aviation Pioneers.

2018 saw a ramping up of the performing arts program, Live@TUS with more than 100 live performances in the airport's Welcome Lounges on the lower level arrivals area of the passenger terminal. In addition, more than 150 students from local schools entertained airport visitors throughout the month of December.

REQUESTS FOR INFORMATION

This financial report, along with the audited financial statements, is designed to provide a general overview of the Tucson Airport Authority. Questions concerning the information contained in this report should be addressed to the Tucson Airport Authority Administration and Finance Department, 7250 S. Tucson Blvd., Suite 300, Tucson, Arizona 85756.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended September 30, 2017. This was the 24th consecutive year that the Authority achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. This report will continue to be offered in a PDF format, allowing the user to download it and save, print or view it online at the airport website, www.flytucson.com.

The publication of this CAFR is a reflection of the level of excellence and professionalism of the Authority's Finance Department. In addition to the Finance Department, we wish to express our appreciation to all members of the Authority staff, who contributed not only to the preparation of this CAFR, but also to the accomplishments that we are privileged to report.

We also wish to thank each of you for your continuing interest and support of the staff's efforts to conduct the financial operations of the Tucson Airport Authority in a responsible and progressive manner.

Respectfully submitted,

Bonnie A. Allin

Bonnie A. Allin, A.A.E.
President/Chief Executive Officer

Richard J. Gruentzel

Richard J. Gruentzel, C.M.
Vice President, Administration & Finance/CFO

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tucson Airport Authority, Inc.

Arizona

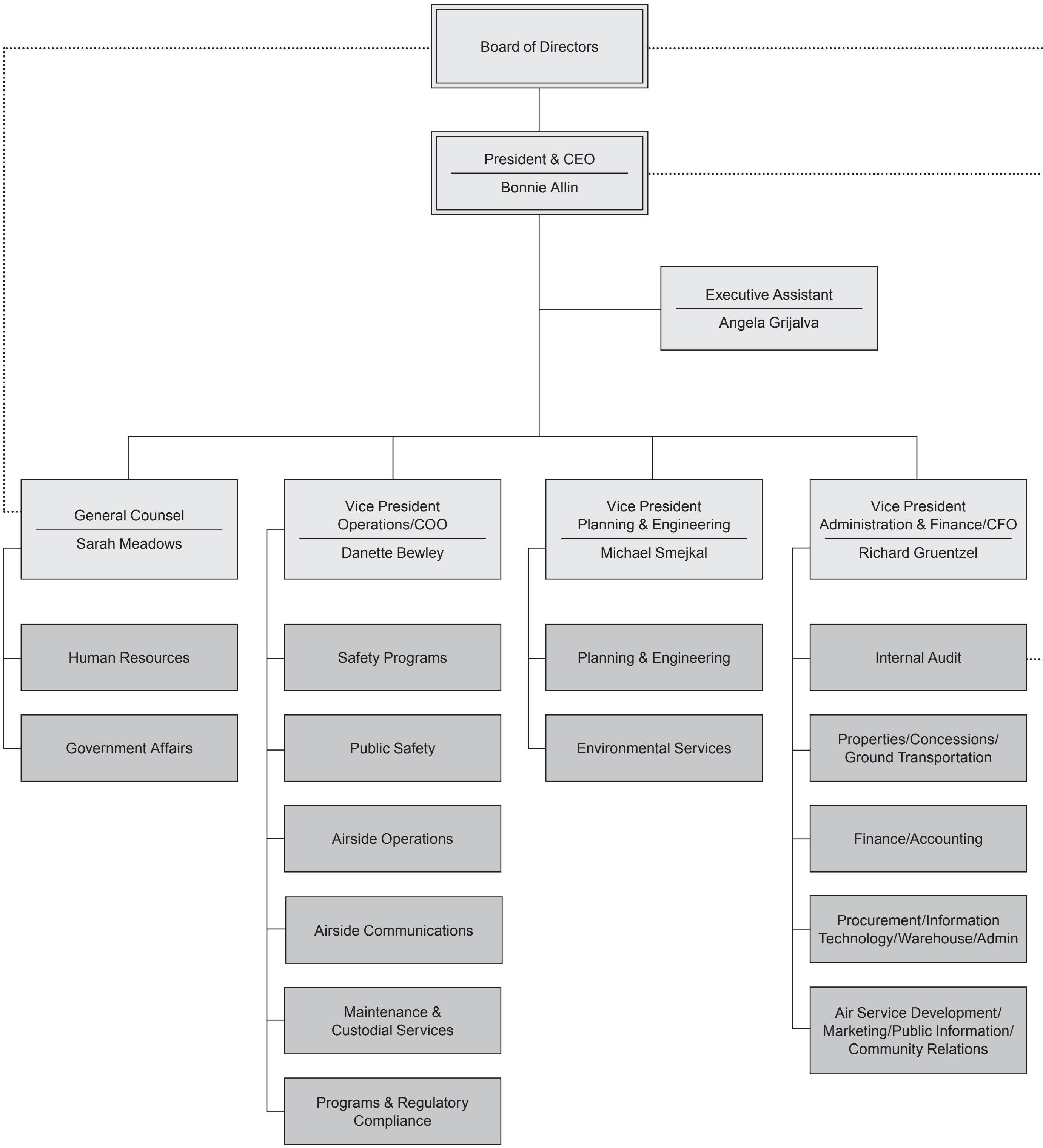
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

Organizational Structure



Airlines and Tenants As Of September 30, 2018

PASSENGER AIRLINES

Alaska Airlines
American Airlines
Delta Air Lines
Mesa Airlines
Sierra Pacific
SkyWest Airlines
Southwest Airlines
Sun Country Airlines
United Airlines
Via Airlines

CARGO AIRLINES

Ameriflight
Federal Express

CAR RENTALS

Alamo
Avis
Budget
Dollar
Enterprise
Hertz
National

RYAN AIRFIELD

Aero Smith
Aero Experts
Air Center West
Aircrafters
Air Ventures Ltd.
Alpha Air, Inc.
Aviation Pursuits
Cherokee Cabañas
Corsair Condos
Dangle Aviation
Duncan & Associates
Jim's Aircraft
Kelly's Aviation
Mobile Aire Hangars
Richie's Café
Sonora Avionics
Tucson Upholstery
United Indian Missions
Velocity Air, Inc.
Vistawest Hangers
Serco Inc.

TUCSON INTERNATIONAL AIRPORT

AT&T
AAR Transportation
A.E. Petsche Company, Inc.
Ace Parking Management, Inc.
AERGO-TUS, LLC
Aerospace Hangar, LLC
Aerovation
Airport Information Centre
Amalong, Terry
Apple Autos
Arizona Aero-Tech
Arizona Air National Guard
Arizona Aviation Associates
Ascent Aviation Services
Arizona Department of Public Safety
Ashton Company
Atlantic Aviation
Bank of America
Bombardier Aerospace/ Learjet Inc.
Broward Aviation
City of Tucson
Civil Air Patrol
Clear Channel- Interspace Airport Advertising
Creative Food Group
Delta Global Logistics
Double Eagle Aviation Flight School
Federal Aviation Administration
FlightSafety International, Inc.
General Services Administration
Granite Construction Company
Great American Shoe Shine Co.
Handy Hangars
The Hudson Group
Hughes Federal Credit Union
Lan-Dale Co.
Latrikunda Transport Services, LLC
Luggage Services & Logistics
Lyft
Majestic Terminal Services
Matheson Flight Extenders, Inc.
Max Air Ventures, LLC
Med-Trans Corp./Air Evac EMS, Inc.
Metal Works
Military Lounge
Million Air
Parade Giants
Pickens Fuel Corporation
Piedmont Airlines, Inc.
Pima Community College
Pizza Hut, Inc.
Premier Aviation
Prospect International Airport Services, Inc.
Real Air Hangar, Inc.
Raytheon Missile Systems
Simplicity USA Ground Services
Smarte Carte, Inc.
Southwest Airport Services
SOS Security
Southwest Heliservices
Suarez International, Inc.
Surplus World
Transportation Security Administration
Tucson Aviation, LLC
Tucson Fuel Facilities, LLC
Tucson Jet Center
Tucson Police Department
Uber
Tucson Stagecoah Express
University of Arizona Environmental Research Lab
Universal Avionics
U.S. Customs & Border Protection
U.S. REIF Tucson Commerce Center
VIP Cab
Velocity Air
Verizon Wireless
Victor II, Ltd.
Wright Flight, Inc.
WiMacTel
Yellow Cab

FINANCIAL SECTION

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Independent Auditors' Report

HBL CPAs, P.C.

Certified Public Accountants

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

Report on the financial statements

We have audited the accompanying financial statements of Tucson Airport Authority, Inc. which comprise the statements of net position as of September 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tucson Airport Authority, Inc. as of September 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors’ Report (continued)

Change in accounting principle

As discussed in Note 2 to the financial statements, in 2018, Tucson Airport Authority, Inc. adopted new accounting guidance: Governmental Accounting Standards Board (GASB) GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, GASB Statement No. 85, Omnibus; GASB Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period; and Implementation Guide No. 2017-1, Implementation Guidance Update – 2017. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and pension and other post-employment benefit information on pages 62 - 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

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

Other reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2019 on our consideration of Tucson Airport Authority, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Tucson Airport Authority, Inc.‘s internal control over financial reporting and compliance.

HBL CPAs, P.C

HBL CPAs, P.C.

March 21, 2019

Management's Discussion and Analysis

September 30, 2018

The following discussion and analysis of the financial performance and activity of the Tucson Airport Authority, Inc. (Authority) provides an introduction to the Authority's financial statements for the fiscal year ended September 30, 2018 (FY 2018). Information for the two preceding fiscal years ended September 30, 2017 and 2016 (FY 2017 and FY 2016, respectively) has been included to provide a better insight into the overall financial position of the Authority.

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

AIRPORT ACTIVITIES & HIGHLIGHTS

Passenger and air carrier activity in FY 2018 increased at the Tucson International Airport (TUS) for the third year in a row. Total passengers increased by 4.0% for FY 2018, which followed an increase of 5.7% for FY 2017 and an increase of 1.5% for FY 2016. Average daily nonstop departures have remained relatively flat at the end of each of the last three years, which were 47, 47 and 48 for FY 2018, FY 2017 and FY 2016, respectively. Average nonstop departures are impacted by a number of factors and vary from day-to-day and month-to-month. The average daily seat capacity in FY 2018 was a 2.3% increase over FY 2017, which followed a 1.8% increase in FY 2017 compared to FY 2016 and a 3.9% increase in FY 2016 compared to FY 2015.

Total aircraft operations (take-offs and landings) at TUS decreased 1.3% in FY 2018 after decreasing 4.8% in FY 2017 and decreasing 1.3% in FY 2016. Total FY 2018 operations comprised 60,176 general aviation operations, 49,812 air carrier and air taxi (passenger airline, cargo airline, and charter) operations and 21,181 military operations. In contrast to air carrier and air taxi operations that generate landing fee revenue, general aviation and military operations do not directly generate revenue for the Authority. The decrease in operations for FY 2018 was primarily attributed to a decrease in military operations of 23.6%, which was partially offset by increases in general aviation of 8.0% and air carrier and air taxi operations of .9%. The decrease in operations for FY 2017 was primarily attributed to decreases in general aviation operations of 10.3% and in air carrier and air taxi operations of 2.1%, which were partially offset by an increase in military operations of 2.8%.

Landed weight increased by 2.7% in FY 2018 from FY 2017 to 2,079,444 one thousand pound units, after increasing by 1.5% in FY 2017 and increasing 5.2% in FY 2016. The changes have been caused by variations in passenger carrier air service through a combination of increases and/or decreases in flights and the size of aircraft used for flights.

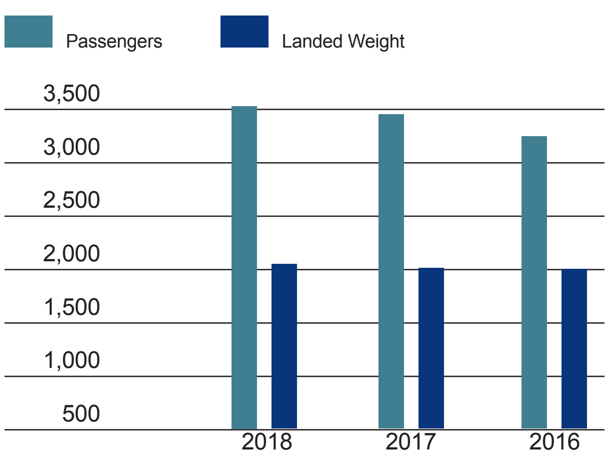
Mail and express cargo shipments increased by 9.8% in FY 2018 from FY 2017, following a decrease of 6.7% in FY 2017 and an decrease of 6.6% in FY 2016. The changes in mail and express cargo shipments in each of these years were primarily a result of changes experienced by Federal Express, the single major cargo carrier operating at TUS.

Five major domestic passenger carriers served TUS as of September 30, 2018, 2017 and 2016. American Airlines and Southwest Airlines have dominated in both passenger activity and landed weight over the three reporting periods. These two carriers accounted for 65.0% of passenger traffic in FY 2018, 67.4% in FY 2017 and 68.7% in FY 2016.

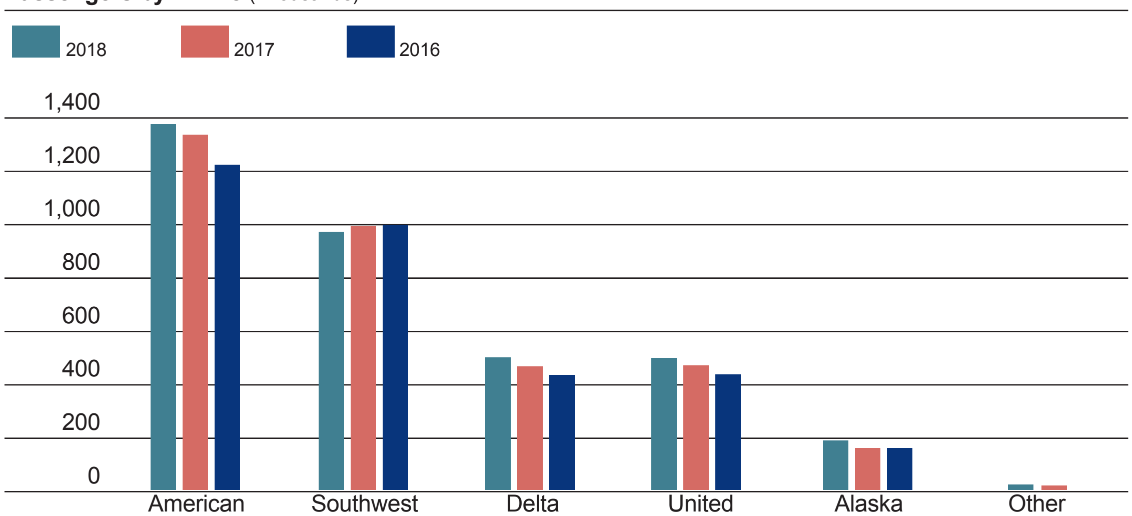
AIRPORT ACTIVITIES & HIGHLIGHTS (continued)

Activities & Highlights	2018	2017	2016
Total passengers	3,551,159	3,413,451	3,228,389
% increase/decrease(-)	4.0%	5.7%	1.5%
Average daily seat capacity	5,669	5,543	5,426
% increase/decrease(-)	2.3%	2.2 %	3.0%
Aircraft operations	131,169	132,867	139,555
% increase/decrease(-)	-1.3%	-4.8%	-1.3%
Landed weight (1,000 lb. Units)	2,079,444	2,025,555	1,995,482
% increase/decrease(-)	2.7%	1.5%	5.2%
Mail & express cargo (pounds)	63,357,146	57,718,854	61,837,690
% increase/decrease(-)	9.8%	-6.7%	-6.6%

Total Passengers and Landed Weight (Thousands)

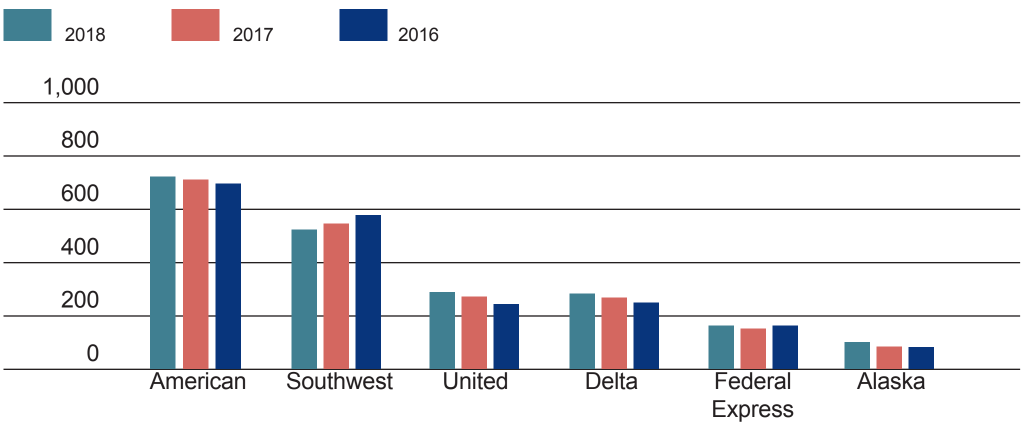


Passengers by Airline (Thousands)

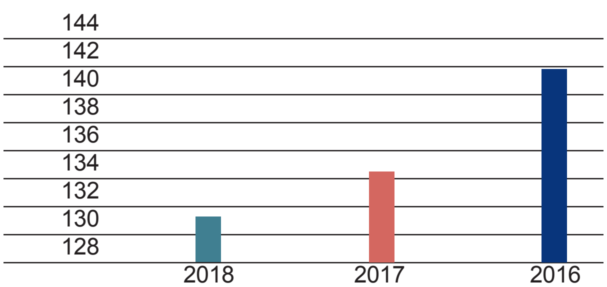


AIRPORT ACTIVITIES & HIGHLIGHTS (continued)

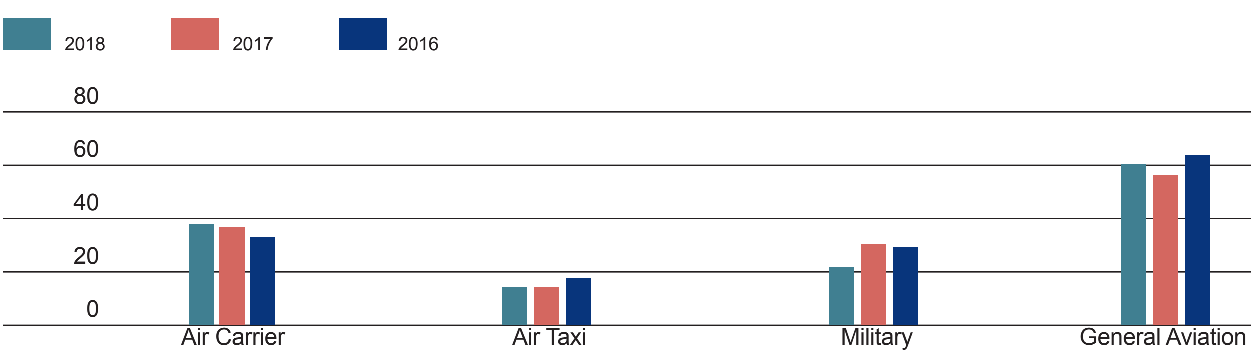
Landed Weight by Airline (Thousands)



Aircraft Operations (Thousands)



Operations by Type (Thousands)



FINANCIAL HIGHLIGHTS

The Authority's assets and deferred outflows exceeded liabilities and deferred inflows at the end of FY 2018 by $386.9 million, compared to $367.8 million and $354.3 million at the end of FY 2017 and FY 2016, respectively. Unrestricted net position for fiscal years 2018, 2017 and 2016 was $76.5 million, $60.8 million, and $64.2 million, respectively. The Authority experienced increases in net position of $19.2 million and $13.4 million for FY 2018 and FY 2017, respectively, compared to the previous years. The FY 2018 and FY 2017 increases were largely attributed to the $19.8 million and $12.8 million in capital contributions for each year, respectively.

The Authority's total noncurrent liabilities decreased by $11.7 million in FY 2018 over FY 2017 and decreased by $3.4 million in FY 2017 over FY 2016. These changes reflect increases or decreases in the net pension liability reduced by scheduled debt service payments.

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

Summary of Operations and Changes in Net Position	2018	2017	2016
Operating revenues	$ 44,025,529	$ 42,908,754	$ 42,120,914
Operating expenses	29,005,713	28,521,222	28,249,055
Operating income before depreciation & amortization	15,019,816	14,387,532	13,871,859
Depreciation & amortization	18,255,710	17,404,890	14,534,836
Operating (loss)	(3,235,894)	(3,017,358)	(662,977)
Nonoperating revenues	7,998,861	7,368,228	7,557,080
Nonoperating expenses	(5,378,950)	(3,815,570)	(3,000,501)
Income (loss) before capital contributions	(615,983)	535,300	3,893,602
Capital contributions	19,822,884	12,881,611	7,812,027
Increase in net position	19,206,901	13,416,911	11,705,629
Net position, beginning of year, as restated	367,763,944	354,347,033	342,629,886
Prior period adjustment - Note 16	-	-	11,518
Net position, end of year, as restated	$ 386,970,845	$ 367,763,944	$ 354,347,033

Total operating revenues increased $1.1 million (2.6%) in FY 2018 over FY 2017 and increased $.8 million (1.9%) in FY 2017 over FY 2016. Increases in operating revenues in FY 2018 were primarily related to increases in concessions. Increases in operating revenues in FY 2017 were primarily related to increases in concession revenues offset by a decrease in space rentals.

Total operating expenses in FY 2018 increased by $.5 million (1.6%) over FY 2017, with increases across all expense categories except for contractual services. Total operating expenses in FY 2017 increased by $.3 million (1.0%) over FY 2016, primarily due to an increase in personnel expense.

Nonoperating revenues in FY 2018 increased 8.6% compared to FY 2017 and FY 2017 nonoperating revenues decreased 2.5% compared to FY 2016. This was mainly due to fluctuations in passenger facility charge revenue, income on investments and gains on disposition of fixed assets. Nonoperating expenses increased in FY 2018 by 41.0% and increased by 27.2% for FY 2017 compared to the prior years. The FY 2018 and 2017 increases were due primarily to increases in environmental remediation expense of $1.5 million and $1.0 million for each year, respectively.

Capital contributions in FY 2018 increased by 53.9% from FY 2017 and FY 2017 capital contributions increased by 64.9% over FY 2016. Year-to-year variances in capital contributions are determined by factors such as grant availability and project timing and are not generally expected to be consistent between years.

FINANCIAL POSITION

Summary of Net Position		2018		2017		Increase (decrease)	% Increase decrease (-)
Assets							
Current (unrestricted)	$	147,010,189	$	130,327,888	$	16,682,301	12.5%
Current (restricted)		19,888,411		38,975,760		(19,087,349)	-49.0%
Net capital assets		328,433,557		317,300,930		11,132,627	3.5%
Other noncurrent assets		539,071		341,491		197,580	57.9%
Total assets		495,871,228		486,946,069		8,925,159	1.8%
Deferred outflows of resources		3,986,733		4,017,999		(31,266)	-0.8%
Total assets and deferred outflows of resources	$	499,857,961	$	490,964,068	$	8,893,893	1.8%
Liabilities							
Current (payable from unrestricted assets)		14,251,179		12,292,175		1,959,004	15.9%
Current (payable from restricted assets)		134,157		1,094,301		(960,144)	-87.7%
Noncurrent		95,849,433		107,520,721		(11,671,288)	-10.9%
Total liabilities		110,234,769		120,907,197		(10,672,428)	-8.8%
Deferred inflows of resources		2,652,347		2,292,927		359,420	15.7%
Total liabilities and deferred inflows of resources		112,887,116		123,200,124		(10,313,008)	6.8%
Net position							
Net investment in capital assets		290,739,199		269,064,332		21,674,867	8.1%
Restricted		19,754,254		37,881,459		(18,127,205)	-47.9%
Unrestricted		76,477,392		60,818,153		15,659,239	25.7%
Net position	$	386,970,845	$	367,763,944	$	19,206,901	5.2%

FINANCIAL POSITION (continued)

Summary of Net Position	2017	2016	Increase (decrease)	% Increase decrease (-)
Assets				
Current (unrestricted)	$ 130,327,888	$ 133,877,834	$ (3,549,946)	-2.7%
Current (restricted)	38,975,760	39,897,298	(921,538)	-2.3%
Net capital assets	317,300,930	302,980,384	14,320,546	4.7%
Other noncurrent assets	341,491	154,517	186,974	121.0%
Total assets	486,946,069	476,910,033	10,036,036	2.1%
Deferred outflows of resources	4,017,999	5,837,892	(1,819,893)	-31.2%
Total assets and deferred outflows of resources	$ 490,964,068	$ 482,747,925	$ 8,216,143	1.7%
Liabilities				
Current (payable from unrestricted assets)	12,292,175	12,318,112	(25,937)	-0.2%
Current (payable from restricted assets)	1,094,301	1,555,218	(460,917)	-29.6%
Noncurrent	107,520,721	110,939,372	(3,418,651)	-3.1%
Total liabilities	120,907,197	124,812,702	(3,905,505)	-3.1%
Deferred inflows of resources	2,292,927	3,599,708	(1,306,781)	-36.3%
Total liabilities and deferred inflows of resources	123,200,124	128,412,410	(5,212,286)	-4.1%
Net position				
Net investment in capital assets	269,064,332	251,798,899	17,265,433	6.9%
Restricted	37,881,459	38,342,080	(460,621)	-1.2%
Unrestricted	60,818,153	64,194,536	(3,376,383)	-5.3%
Net position	$ 367,763,944	$ 354,335,515	$ 13,428,429	3.8%

FINANCIAL POSITION (continued)

Current unrestricted assets increased in FY 2018 over FY 2017 by $15.7 million and decreased in FY 2017 over FY 2016 by $3.4 million. The FY 2018 increase was due mainly to an increase in cash and investments of $15.1 million and accounts and grants receivable of $1.4 million. Current restricted assets decreased by $19.1 million in FY 2018 compared to FY 2017 and decreased by $.9 million in FY 2017 compared to FY 2016. Both of these unfavorable variances were impacted by utilization of Passenger Facility Charge (PFC) Funds for capital project expenditures and debt service on PFC-backed bonds in excess of PFC revenues earned. Net capital assets increased by $11.1 million in FY 2018 over FY 2017 and increased by $14.3 million in FY 2017 over FY 2016, both years being impacted by projects in the Authority's capital improvement program.

Current liabilities payable from unrestricted assets in FY 2018 increased $1.9 million compared to FY 2017. Current liabilities payable from restricted assets decreased by $.9 million in FY 2018 compared to FY 2017 due primarily to a decrease in environmental remediation payable. Current liabilities payable from unrestricted assets in FY 2017 was relatively unchanged compared to FY 2016. Current liabilities payable from restricted assets decreased by $.5 million in FY 2017 compared to FY 2016 due primarily to a decrease in environmental remediation payable. Total noncurrent liabilities decreased by $11.7 million in FY 2018 compared to FY 2017 and decreased by $3.4 million in FY 2017 compared to FY 2016. The FY 2018 decrease was attributed to the early redemption of bonds that were to be repaid from non-PFC funds, along with normal debt service. The FY 2017 and FY 2016 decreases were primarily due to normal debt service.

The largest portion of the Authority's net position, 75.1% for FY 2018, 73.2% for FY 2017, and 71.2% for FY 2016, represents its investment in capital assets (e.g. land, buildings, machinery and equipment), less outstanding debt used to acquire those assets. The Authority uses these assets to provide services to its passengers, visitors and tenants that generate future revenue streams. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from operations, since the capital assets themselves cannot be used to retire these liabilities.

An additional portion of the Authority's net position, 5.1% for FY 2018, 10.3% for FY 2017 and 10.8% for FY 2016, represents resources that are subject to restrictions from government grantors, bond resolutions and State and Federal regulators on how they may be used. The changes in restricted net position over the three-year period are primarily attributable to passenger facility charge funds that are accumulating for retirement of debt used to finance completed terminal expansion and concourse renovation projects, offset by decreases in assets restricted for payment of environmental remediation expenses. The remaining unrestricted net position balances of $76.5 million for FY 2018, $60.8 million for FY 2017 and $64.2 million for FY 2016 may be used for any lawful purpose of the Authority.

REVENUES

In FY 2018, total revenues of $71.8 million were greater than the prior fiscal year by 13.8%, whereas FY 2017 revenues of $63.2 million were greater than FY 2016 by 9.9%.

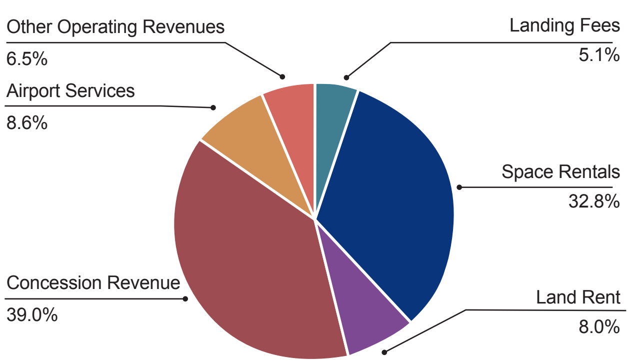
Operating revenues increased in FY 2018 over FY 2017 by $1.1 million (2.6%). Revenue category changes included increases in land rent $.5 million, concession revenue $1.1 million, airport services $.3 million and other operating revenues $.1 million, which were partially offset by decreases in landing fees $.5 million and space rentals $.5 million. Landing fees decreased significantly from the prior year $.5 million (18.8%), which was largely attributable to the decrease in the landing rate from $1.29 in 2017 to $1.04 in 2018. Changes in land rents and space rentals are largely due to a new lease agreement with a commercial tenant, which reclassified certain facility rents as land rents from the previous lease. The increase in concession revenues is due to higher parking revenues associated with increases in passenger activity as well as increases in retail news and gifts due to minimum annual guarantees. The increase in airport services and other operating revenues was primarily associated with increased capital projects, which resulted in higher recoveries of administrative costs.

REVENUES (continued)

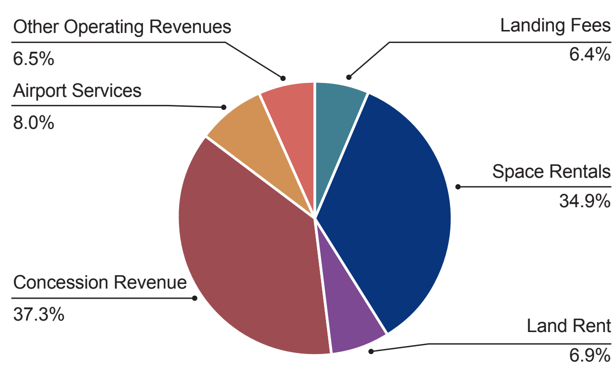
Revenues by Major Source	2018	2017	Increase (decrease)	% Increase decrease (-)
Landing fees	$ 2,242,036	$ 2,761,273	$ (519,237)	-18.8%
Space rentals	14,443,728	14,983,380	(539,652)	-3.6%
Land rent	3,510,909	2,963,840	547,069	18.5%
Concession revenue	17,153,120	16,014,764	1,138,356	7.1%
Airport services	3,799,364	3,451,629	347,735	10.1%
Other operating revenues	2,876,372	2,733,868	142,504	5.2%
Total operating revenues	44,025,529	42,908,754	1,116,775	2.6%
Interest income	2,252,824	1,757,178	495,646	28.2%
Net increase (decrease) in fair value				
of investments	(1,008,476)	(876,150)	(132,326)	15.1%
Passenger facility charges	6,754,513	6,477,205	277,308	4.3%
Gain on disposition of fixed assets	-	9,995	(9,995)	0.0%
Total nonoperating revenues	7,998,861	7,368,228	630,633	8.6%
Capital contributions	19,822,884	12,881,611	6,941,273	53.9%
Total revenues	$ 71,847,274	$ 63,158,593	$ 8,688,681	13.8%

The following charts show the major sources and the percentage of operating revenues for fiscal years 2018 and 2017:

Operating Revenues FY 2018



Operating Revenues FY 2017



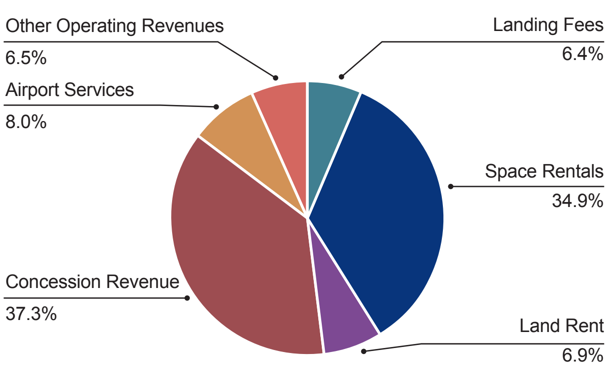
Operating revenues increased in FY 2017 over FY 2016 by $.8 million (1.9%). Revenue category changes included increases in land rent of $.2 million, concession revenue of $.9 million, airport services of $.2 million and other operating revenues of $.1 million, which were partially offset by a decrease in space rentals of $.6 million. Landing fees remained relatively flat from the previous year. Changes in land rents and space rentals are largely due to a new lease agreement with a commercial tenant, which reclassified certain facility rents as land rents from the previous lease. The increase in concession revenues is due to higher rental car and parking revenues associated with increases in passenger activity. The increase in airport services and other operating revenues was primarily associated with increased capital projects, which resulted in higher recoveries of administrative costs.

REVENUES (continued)

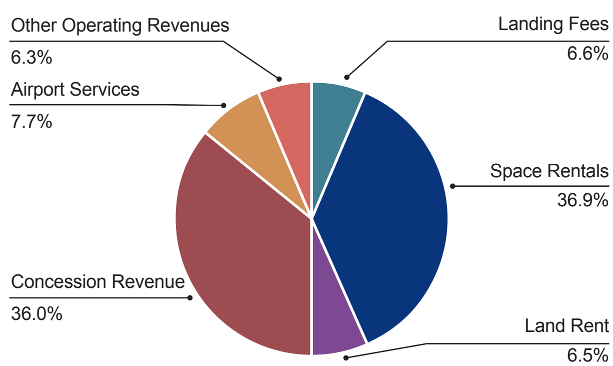
Revenues by Major Source	2017	2016	Increase (decrease)	% Increase decrease (-)
Landing fees	$ 2,761,273	$ 2,793,333	$ (32,060)	-1.1%
Space rentals	14,983,380	15,563,025	(579,645)	-3.7%
Land rent	2,963,840	2,754,715	209,125	7.6%
Concession revenue	16,014,764	15,146,036	868,728	5.7%
Airport services	3,451,629	3,239,181	212,448	6.6%
Other operating revenues	2,733,868	2,624,624	109,244	4.2%
Total operating revenues	42,908,754	42,120,914	787,840	1.9%
Interest income	1,757,178	1,533,109	224,069	14.6%
Net increase (decrease) in fair value of investments	(876,150)	(160,483)	(715,667)	445.9%
Passenger facility charges	6,477,205	6,071,068	406,137	6.7%
Gain on disposition of fixed assets	9,995	113,386	(103,391)	0.0%
Total nonoperating revenues	7,368,228	7,557,080	(188,852)	-2.5%
Capital contributions	12,881,611	7,812,027	5,069,584	64.9%
Total revenues	$ 63,158,593	$ 57,490,021	$ 5,668,572	9.9%

The following charts show the major sources and the percentage of operating revenues for fiscal years 2017 and 2016:

Operating Revenues FY 2017



Operating Revenues FY 2016



NONOPERATING REVENUES

Nonoperating revenues consist mainly of income on investments and passenger facility charges (PFCs). PFC revenue fluctuates based on passenger levels. FY 2018 nonoperating revenues increased $.6 million (8.6%) over FY 2017 due to higher investment income of $.3 million and an increase in PFC revenue of $.3 million. FY 2017 nonoperating revenues decreased $.2 million (2.5%) over FY 2016 due mainly to lower investment income offset by an increase in PFC revenue of $.4 million.

CAPITAL CONTRIBUTIONS

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

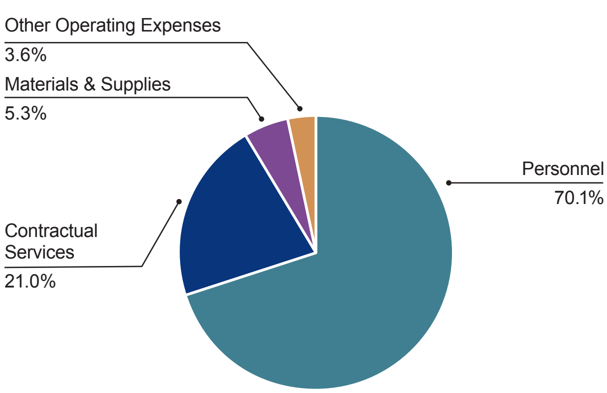
EXPENSES

Total expenses for FY 2018 increased 5.8% from FY 2017 due primarily to higher operating expense $.5 million, depreciation and amortization of $.9 million and higher environmental expenses of $1.5 million. Operating expenses increased $.5 million (1.7%). The increase in operating expenses was a result of increases across all operating expense categories except contractual services. Nonoperating expenses were $1.6 million (41.0%) higher in FY 2018 than FY 2017. This was caused mainly by an increase in environmental expense of $1.5 million.

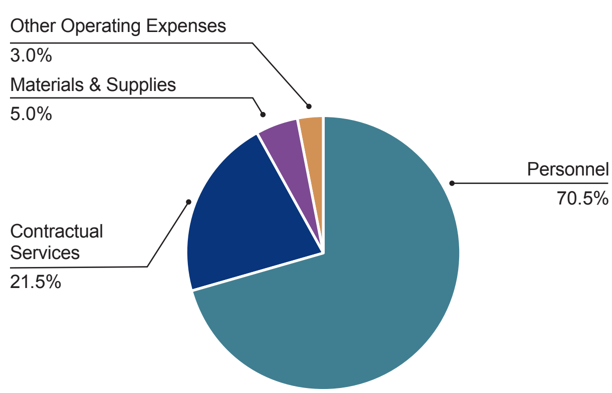
Expenses by Major Category	2018	2017	Increase (decrease)	% Increase decrease (-)
Personnel	$ 20,323,973	$ 20,124,552	$ 199,421	1.0%
Contractual services	6,089,002	6,120,706	(31,704)	-0.5%
Materials and supplies	1,544,793	1,422,945	121,848	8.6%
Other operating expenses	1,047,945	853,019	194,926	22.9%
Total operating expenses	29,005,713	28,521,222	484,491	1.7%
Depreciation and amortization	18,255,710	17,404,890	850,820	4.9%
Interest expense	2,249,588	2,408,925	(159,337)	-6.6%
Environmental expenses	2,964,165	1,405,893	1,558,272	110.8%
Loss on disposition of capital assets	156,269	-	156,269	-
Other nonoperating expenses	8,928	752	8,176	100.0%
Total nonoperating expenses	5,378,950	3,815,570	1,563,380	41.0%
Total expenses	$ 52,640,373	$ 49,741,682	$ 2,898,691	5.8%

The following charts show the major operating expense categories for the Authority for FY 2018 and FY 2017:

Operating Expenses FY 2018



Operating Expenses FY 2017



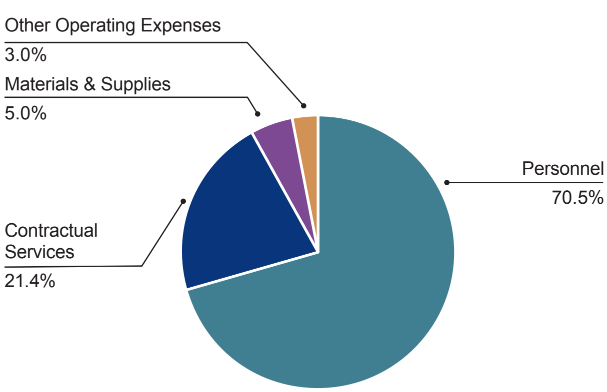
EXPENSES (continued)

Total expenses for FY 2017 increased 8.6% from FY 2016 due primarily to higher depreciation and amortization of $2.9 million (19.7%). Operating expenses increased $.3 million (1.0%). The increase in operating expenses was primarily a result of higher personnel expenses of $.2 million and higher materials and supplies of $.1 million. Nonoperating expenses were $.8 million (27.2%) higher in FY 2017 than FY 2016. This was caused mainly by an increase in environmental expense of $1.0 million.

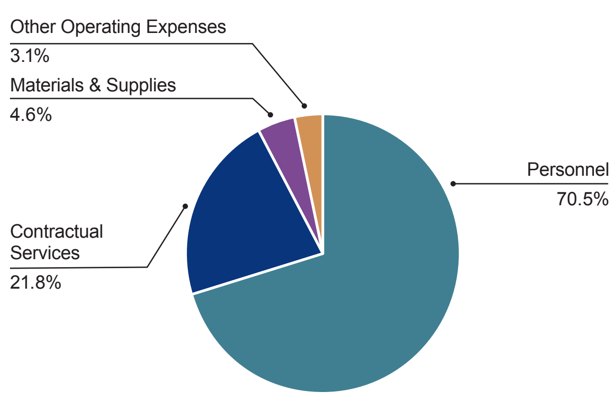
Expenses by Major Category	2017	2016	Increase (decrease)	% Increase decrease (-)
Personnel	$ 20,124,552	$ 19,887,460	$ 237,092	1.2%
Contractual services	6,120,706	6,165,827	(45,121)	-0.7%
Materials and supplies	1,422,945	1,311,559	111,386	8.5%
Other operating expenses	853,019	884,209	(31,190)	-3.5%
Total operating expenses	28,521,222	28,249,055	272,167	1.0%
Depreciation and amortization	17,404,890	14,534,836	2,870,054	19.7%
Interest expense	2,408,925	2,542,271	(133,346)	-5.2%
Environmental expenses	1,405,893	440,980	964,913	218.8%
Other nonoperating expenses	752	17,250	(16,498)	-95.6%
Total nonoperating expenses	3,815,570	3,000,501	815,069	27.2%
Total expenses	$ 49,741,682	$ 45,784,392	$ 3,957,290	8.6%

The following charts show the major operating expense categories for the Authority for FY 2017 and FY 2016:

Operating Expenses FY 2017



Operating Expenses FY 2016



CAPITAL ASSETS

Net capital assets increased $11.1 million (3.5%) in FY 2018 over FY 2017. The increase resulted from spending on capital improvement program projects being higher than current year depreciation expense. The most significant FY 2018 CIP project was the Terminal Optimization Program.

Net Capital Assets	2018	2017	Increase (decrease)	% Increase decrease (-)
Land	$ 52,748,136	$ 52,748,136	$ -	0.0%
Air avigation easement	29,990,090	29,990,090	-	0.0%
Land improvements	176,084,744	193,269,518	(17,184,775)	-8.9%
Buildings and improvements	263,232,410	228,874,927	34,357,483	15.0%
Utilities	5,951,108	5,951,108	-	0.0%
Computer software	6,100,568	6,087,409	13,159	0.2%
Furniture, fixtures, machinery and equipment	41,214,787	43,363,268	(2,148,481)	-5.0%
Artwork	458,630	458,630	-	0.0%
Construction in progress	32,966,678	39,991,562	(7,024,884)	-17.6%
Gross capital assets	608,747,151	600,734,648	8,012,503	1.3%
Less accumulated depreciation	280,313,594	283,433,718	(3,120,124)	-1.1%
Net capital assets	$ 328,433,556	$ 317,300,930	$ 11,132,627	3.5%

Net capital assets increased $14.3 million (4.7%) in FY 2017 over FY 2016. The increase resulted from spending on capital improvement program projects being higher than current year depreciation expense. The most significant FY 2017 CIP project was the Terminal Optimization Program.

Net Capital Assets	2017	2016	Increase (decrease)	% Increase decrease (-)
Land	$ 52,748,136	$ 52,748,136	$ -	0.0%
Air avigation easement	29,990,090	29,990,090	-	0.0%
Land improvements	193,269,518	190,219,756	3,049,762	1.6%
Buildings and improvements	228,874,927	225,759,166	3,115,761	1.4%
Utilities	5,951,108	5,951,108	-	0.0%
Computer software	6,087,409	5,830,332	257,077	4.4%
Furniture, fixtures, machinery and equipment	43,363,268	41,788,390	1,574,878	3.8%
Artwork	458,630	455,630	3,000	0.7%
Construction in progress	39,991,562	16,414,922	23,576,640	143.6%
Gross capital assets	600,734,648	569,157,530	31,577,118	5.5%
Less accumulated depreciation	283,433,718	266,177,146	17,256,572	6.5%
Net capital assets	$ 317,300,930	$ 302,980,384	$ 14,320,546	4.7%

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

DEBT ACTIVITY

At the end of FY 2018, the Authority had total long-term debt outstanding of $37.3 million. The debt consists of bonds that are secured by airport revenues and were also secured by a pledge of passenger facility charge revenues. The decrease of $10.5 million (21.9%) from FY 2017 is a result of early redemption of the non-PFC portion of the 2006 series bonds, as well as normal debt service.

Outstanding Long-term Debt	2018	2017	Increase (decrease)	% Increase decrease (-)
Authority revenue bonds:				
Series 2018 subordinate lien	$ 37,330,000	$ -	$ 37,330,000	100.0%
Series 2001 subordinate lien	-	27,770,000	(27,770,000)	-100.0%
Series 2006 subordinate lien	-	20,015,000	(20,015,000)	-100.0%
Total long-term debt	$ 37,330,000	$ 47,785,000	$ (10,455,000)	-21.9%

At the end of FY 2017, the Authority had total long-term debt outstanding of $47.8 million. The debt consists of bonds that are secured by airport revenues, with most of the bonds also secured by a pledge of passenger facility charge revenues. The decrease of $2.9 million (5.6%) from FY 2016 is a result of normal debt service activity.

Outstanding Long-term Debt	2017	2016	Increase (decrease)	% Increase decrease (-)
Authority revenue bonds:				
Series 2001 subordinate lien	$ 27,770,000	$ 29,100,000	$ (1,330,000)	-4.6%
Series 2006 subordinate lien	20,015,000	21,535,000	(1,520,000)	-7.1%
Total long-term debt	$ 47,785,000	$ 50,635,000	$ (2,850,000)	-5.6%

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

DEBT SERVICE COVERAGE

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

In FY 2018 net airport system revenues available for subordinate lien bond debt service was 3.99 times subordinate lien debt service, compared to 3.72 and 3.71 for FY 2017 and FY 2016, respectively. The Authority had no senior lien debt outstanding during FY 2018. Variances in the debt service coverage year-over-year are primarily attributable to normal debt service and changes in net airport system revenue.

AIRLINE RATES AND CHARGES

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

Signatory Airline Rates and Charges		2018	2017	2016
Ticketing	per sq. ft.	$ 80.91	$ 80.91	$ 78.81
Hold room	per gate	117,983.30	117,983.30	114,926.26
Baggage claim	per sq. ft.	76.73	76.73	74.74
Baggage makeup	per sq. ft.	26.96	26.96	26.26
Into plane hydrant flowage	per gallon	N/A	N/A	N/A
Landing fee	per 1,000 lbs.	1.04	1.29	1.30

The signatory airline use agreement expired on September 30, 2018. The signatory airlines continue to operate under the terms of this agreement on a month-to-month basis while the Authority negotiates either a long-term extension of the existing agreement or a new agreement.

AIRLINE COST PER ENPLANEMENT

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

CPE decreased in FY 2018 over FY 2017 by $.46 per enplanement and decreased in FY 2017 over FY 2016 by $.52 per enplanement. These decreases were mainly a result of the increase in passenger enplanements of 4.1% and 5.8% for FY 2018 and FY 2017, respectively.

Airline Cost Per Enplanement	**2018**	**2017**	**2016**
Passenger airline revenues	$ 13,314,040	$ 13,564,369	$ 13,670,150
Enplaned passengers	1,782,050	1,711,518	1,618,304
Cost per enplanement	$ 7.47	$ 7.93	$ 8.45

Statements of Net Position

September 30, 2018 and 2017

ASSETS		2018		2017
Current assets:				
Unrestricted assets:				
Cash and cash equivalents - Note 3	$	15,910,640	$	14,308,803
Investments - Note 3		123,757,404		110,236,047
Accounts receivable, net of allowance for doubtful accounts of for 2018 and $625,648 for 2017		2,046,464		2,184,990
Accrued interest receivable		438,303		355,917
Grants receivable		3,992,424		2,443,950
Notes receivable		15,055		13,936
Inventories - Note 4		329,779		311,798
Prepaid expenses and other assets		520,120		472,447
Total unrestricted current assets		147,010,189		130,327,888
Restricted assets:				
Cash and cash equivalents - Note 3		1,199,411		2,278,079
Investments - Note 3		17,599,738		35,543,239
Accounts receivable		989,437		950,322
Accrued interest receivable		99,825		88,659
Prepaid insurance		-		115,461
Total restricted current assets		19,888,411		38,975,760
Total current assets		166,898,600		169,303,648
Noncurrent assets:				
Unrestricted assets:				
Deferred rents		526,992		314,357
Notes receivable, net of current portion		12,079		27,134
Capital assets - Notes 5 and 7				
Not depreciated		116,163,535		123,188,418
Depreciated, net		212,270,022		194,112,512
Total capital assets		328,433,557		317,300,930
Total unrestricted noncurrent assets		328,972,628		317,642,421
Total noncurrent assets		328,972,628		317,642,421
Total assets		495,871,228		486,946,069
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions/OPEB - Note 8		3,986,733		4,017,999
Total assets and deferred outflows of resources	$	499,857,961	$	490,964,068

See Accompanying Notes.

Statements of Net Position (continued)

September 30, 2018 and 2017

LIABILITIES	2018	2017
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 1,110,696	$ 1,696,635
Accrued expenses	1,521,317	1,280,238
Unearned revenues - Note 6	939,468	1,226,001
Construction contracts payable	1,946,608	2,108,306
Current portion of environmental remediation payable - Note 14	5,388,090	2,990,995
Current portion of bonds payable - Note 7:		
Airport Subordinate Lien Revenue Bonds, Series 2018	3,345,000	-
Airport Subordinate Lien Revenue Bonds, Series 2001	-	1,400,000
Airport Subordinate Lien Revenue Bonds, Series 2006	-	1,590,000
Total payable from unrestricted assets	14,251,179	12,292,175
Payable from restricted assets:		
Accrued interest payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	60,531	-
Airport Subordinate Lien Revenue Bonds, Series 2001	-	488,195
Airport Subordinate Lien Revenue Bonds, Series 2006	-	327,408
	60,531	815,603
Current portion of environmental remediation payable - Note 14	73,626	278,698
Total payable from restricted assets	134,157	1,094,301
Total current liabilities	14,385,336	13,386,476
Noncurrent liabilities:		
Payable from unrestricted assets:		
Bonds payable, net of current portion - Note 7:		
Airport Subordinate Lien Revenue Bonds, Series 2018	34,349,358	-
Airport Subordinate Lien Revenue Bonds, Series 2001	-	26,304,076
Airport Subordinate Lien Revenue Bonds, Series 2006	-	18,942,522
Net pension/OPEB liability - Note 8	41,949,188	42,340,306
Environmental remediation payable, net of current portion - Note 14	19,550,887	19,933,817
Total payable from unrestricted assets	95,849,433	107,520,721
Total noncurrent liabilities	95,849,433	107,520,721
Total liabilities	$ 110,234,769	$ 120,907,197

Commitments and contingencies - Notes 13 and 14

See Accompanying Notes.

Statements of Net Position (continued)

September 30, 2018 and 2017

DEFERRED INFLOWS OF RESOURCES		2018		2017
Deferred inflows from pensions/OPEB - Note 8	$	2,652,347	$	2,292,927
NET POSITION				
Net investment in capital assets	$	290,739,199	$	269,064,332
Restricted for:				
Debt service		414,531		4,485,354
Capital projects		19,339,723		33,396,105
Total restricted net position		19,754,254		37,881,459
Unrestricted		76,477,392		60,818,153
Total net position	$	386,970,845	$	367,763,944

See Accompanying Notes.

Statements of Revenues, Expenses and Changes in Net Position

Years ended September 30, 2018 and 2017

	2018	2017
Operating revenues:		
Landing fees	$ 2,242,036	$ 2,761,273
Space rentals	14,443,728	14,983,380
Land rent	3,510,909	2,963,840
Concession revenue	17,153,120	16,014,764
Airport services	3,799,364	3,451,629
Other operating revenues	2,876,372	2,733,868
Total operating revenues	44,025,529	42,908,754
Operating expenses:		
Personnel expenses	20,323,973	20,124,552
Contractual services	6,089,002	6,120,706
Materials and supplies	1,544,793	1,422,945
Other operating expenses	1,047,945	853,019
Total operating expenses	29,005,713	28,521,222
Depreciation and amortization	18,255,710	17,404,890
Operating (loss)	(3,235,894)	(3,017,358)
Nonoperating revenues (expenses):		
Interest income	2,252,824	1,757,178
Net increase (decrease) in fair value of investments	(1,008,476)	(876,150)
Passenger facility charges - Note 11	6,754,513	6,477,205
Interest expense and fiscal charges	(2,249,588)	(2,408,925)
Gain on disposition of capital assets	(156,269)	9,995
Environmental remediation expenses - Note 14	(2,964,165)	(1,405,893)
Other nonoperating expense	(8,928)	(752)
	2,619,911	3,552,658
Income (loss) before capital contributions	(615,983)	535,300
Capital contributions:		
Federal	18,811,012	11,771,900
State	1,011,872	1,109,711
	19,822,884	12,881,611
Increase in net position	19,206,901	13,416,911
Total net position, beginning of year (restated)	367,763,944	354,347,033
Total net position, end of year	$ 386,970,845	$ 367,763,944

See Accompanying Notes.

Statements of Cash Flows

Years ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Receipts from airlines and tenants	$ 43,316,242	$ 41,499,351
Federal and state grants-in-aid	380,919	346,825
Payments to suppliers	(9,236,642)	(7,736,303)
Payments for personnel services	(20,180,016)	(19,295,544)
Payments for environmental remediation	(1,158,368)	(1,664,526)
Net cash provided by operating activities	13,122,135	13,149,803
Cash flows from capital and related financing activities:		
Federal and state contributed capital, grants-in-aid	18,242,136	15,267,195
Acquisition of capital assets	(29,651,608)	(33,438,965)
Proceeds from sale of capital assets	60,767	10,288
Principal paid on long-term debt	(47,784,999)	(2,850,000)
Proceeds from refunding long-term debt	37,330,000	-
Passenger facility charges receipts	6,715,398	6,368,815
Interest paid on long-term debt	(3,100,830)	(2,552,068)
Net cash (used in) capital and related financing activities	(18,189,136)	(17,194,735)
Cash flows from investing activities:		
Interest on investments	2,173,511	1,540,965
Maturity and calls of investments	40,826,387	64,435,651
Purchase of investments	(37,423,663)	(56,506,994)
Collections of notes receivable	13,936	12,900
Net cash provided by (used in) investing activities	5,590,170	9,482,522
Net increase (decrease) in cash and cash equivalents	523,169	5,437,590
Cash and cash equivalents, beginning of year	16,586,882	11,149,292
Cash and cash equivalents, end of year	$ 17,110,051	$ 16,586,882

See Accompanying Notes.

Statements of Cash Flows (continued)

Years ended September 30, 2018 and 2017

	2018	2017
Reconciliation of operating loss to net cash provided by operating activities:		
Operating (loss)	$ (3,235,894)	$ (3,017,358)
Adjustments to reconcile operating loss to net cash provided by		
operating activities:	18,255,710	17,404,890
Depreciation and amortization	(1,158,368)	(1,664,526)
Payments for environmental remediation		
Effects of changes in operating assets and liabilities:		
Receivables	(41,834)	(1,192,203)
Inventories	(17,981)	32,659
Prepaid expenses and other assets	(47,673)	(13,278)
Accounts payable	(585,939)	621,810
Accrued expenses	241,079	71,617
Deferred revenues	(286,533)	129,625
Net pension liability and related changes in deferred outflows and inflows of resources	(432)	776,567
Net cash provided by operating activities	$ 13,122,135	$ 13,149,803
Noncash nonoperating, capital, financing and investing activities:		
Grants receivable included in capital contributions	$ 3,936,026	$ 2,355,277
Additions to capital assets included in accounts payable	$ 1,946,608	$ 2,108,306
Net appreciation (depreciation) in fair value of investments	$ (1,008,476)	$ (876,150)
Increase in estimate of environmental remediation liability	$ 2,964,165	$ 1,405,893

See Accompanying Notes.

Notes to Financial Statements

September 30, 2018 and 2017

NOTE 1 – ORGANIZATION AND REPORTING ENTITY

Tucson Airport Authority, Inc. (Authority), 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 Authority's membership consists of up to 60 residents of the airport service area who elect a Board of Directors (Board) which governs the Authority. The Authority 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 Authority 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 Authority 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 Authority 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.

All five of the passenger airlines utilizing the Airport have entered into Signatory Airport Use Agreements with the Authority and are referred to as Signatory Airlines. In general, the Airport Use Agreements provide 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 Authority, is an amount which provides sufficient operating funds to cover annual debt service of the bonds, annual operating expenses and satisfies other bond resolution requirements. The existing Signatory Airport Use Agreement expired on September 30, 2018. Signatory airlines continue to operate under the terms of this agreement on a month-to-month basis while the Authority negotiates either a long-term extension of the existing agreement or a new agreement.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies follows:

Basis of accounting

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, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Use of estimates in preparing financial statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make a number of estimates and assumptions, e.g., useful lives of capital assets that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. The most significant estimates recorded in the financial statements are the net pension liability (Note 8) and environmental remediation liability (Note 14).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus and basis of accounting

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 Outflows 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 the measurements made, regardless of 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 Authority's practice to use restricted resources first, then unrestricted resources as they are needed

Budgets

The Authority utilizes a budget process for planning purposes with adoption by the Board of Directors. Pursuant to the Airport Lease, the Authority 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.

Cash and cash equivalents

Investments are categorized as cash equivalents if their maturity date is 90 days or less at the date of purchase. Those assets having a maturity of more than 90 days are classified as investments for statement of net position presentation. Cash equivalents include cash on hand, checking, savings, money market accounts and cash equivalent mutual funds.

Grant and accounts receivable

The Authority 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 the allowance, revenue is recognized for the amount collected.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are stated at fair value. The Authority'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.

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 avigation easements and computer software. Gifts or contributions of capital assets are recorded at acquisition value as of the date of the acquisition. The Authority'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 to 20 years
Land improvements	3 to 50 years
Buildings and improvements	3 to 50 years
Intangibles	2 to 25 years
Furniture, fixtures, machinery and equipment	2 to 25 years

Depreciation 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 capitalized during the construction period. Interest income from funds obtained through Authority bond proceeds that are restricted for construction purposes is netted against interest expense incurred on the bonds in determining the amount of capitalized interest.

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

Restricted assets

Certain resources of the Authority 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 Authority'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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Pension/OPEB Liability, Deferred Outflows and Inflows of Resources

For purposes of measuring the net pension/OPEB liability, deferred outflows and inflows of resources related to pension/OPEBs, and pension/OPEB expense, information about the fiduciary net position of the Arizona State Retirement System Defined Benefit Plan (ASRS) and Arizona Public Safety Personnel Retirement System (PSPRS) and additions to or deductions from ASRS and PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition to assets and liabilities, the Authority reports 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 a future period(s) and will not be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of resources that is applicable to future reporting period(s) that will not be recognized as an inflow of resources until then.

Net position

The Authority's policy is to restrict net position to the extent that assets restricted for bond debt service exceed the applicable debt service liabilities, and these assets are funded from operations rather than bond proceeds. Because these restricted assets do not exceed debt service liabilities at September 30, 2018 and 2017, no reservation of net position is required.

Environmental remediation costs

The Authority accounts for environmental remediation costs in accordance with Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. See Note 14 for disclosures regarding information reported in the financial statements for known obligations.

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 Authority was granted permission to begin collection of a $3 per passenger PFC effective February 1, 1998. In April 2006, the FAA approved the Authority's application amendment 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 administrative fee charged by the airlines for processing, are collected by the airlines and remitted on a monthly basis to the Authority.

At the present time, GASB has not released authoritative guidance on the accounting treatment of PFCs. The Authority's position is that PFCs should be treated as revenue because: 1) the Authority earns the PFCs due to a passenger's use of the Airport; 2) after receipt, the Authority has clear title to the funds and is not required to refund or return them; 3) the Authority 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 Authority's applications for PFCs were approved as Impose and Use, it is the position of the Authority that revenue should be recognized immediately when PFCs are earned. Due to their restricted use, however, PFCs are categorized as nonoperating revenues and are accounted for on the accrual basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards

Implementation of the following GASB statements was effective for fiscal year 2018:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, improves accounting and financial reporting by governments for postemployment benefits other than pensions. It also improves information provided by governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. This Statement is effective for fiscal years beginning after June 15, 2017.

- GASB Statement No. 85, *Omnibus*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority has implemented this Statement in fiscal year 2018 with no effect.

- GASB Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority has implemented this Statement in fiscal year 2018 with no effect.

- Implementation Guide No. 2017-1, *Implementation Guidance Update – 2017*, provides guidance that clarifies, explains or elaborates on GASB Statements and Interpretations and amends, removes, supersedes, or adds questions not originally contained in Implementation Guide No. 2015-1 and 2016-1. The requirements of this Implementation Guide are effective for reporting periods beginning after June 15, 2017. The requirements of this Implementation Guide were implemented by the Authority in fiscal year 2018 with no effect.

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

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations, or legally enforceable liabilities associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Authority will implement this Statement in fiscal year 2019.

- GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Authority will implement this Statement in fiscal year 2020.

- GASB Statement No. 87, *Leases*, provides new guidance for recognition of operating leases and the related assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority will implement this Statement in fiscal year 2021.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority 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 Authority 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 with Financial Institutions

At September 30, 2018, the carrying amount of the Authority's deposits was $7,978,807 and the bank balance was $8,352,912. At September 30, 2017, the carrying amount of the Authority's deposits was $8,092,624 and the bank balance was $8,487,896. The difference between the carrying amounts and the bank balances represents outstanding checks, deposits in transit and other reconciling items.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned, or the Authority will not be able to recover collateral securities in possession of an outside party.

Investments

Credit risk

The Authority'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 Authority'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 Authority's name or collateralized to 102% and held by the Authority's safekeeping agent in the Authority's name. Collateral is restricted to United States treasuries, agencies or instrumentalities.

The Authority 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 Authority'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 Authority manages its exposure to interest rate risk by regular (not less than semi-annually) evaluation in conjunction with Authority investment advisors of the Authority'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.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Credit risk

In the absence of definitive legal requirements, the Authority 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 Authority's bond resolution.
2. Such other prudent investments as are consistent with investment policies adopted by the Authority'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 Authority's investment policies:

	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%

At September 30, 2018 and 2017, the Authority had the following investments:

	Fair Value				
	2018		2017		Ratings
Pooled investment fund:	$	%	$	%	
U.S. Agency securities:					
Federal Farm Credit Bank	$ 19,791,790	14%	$ 15,908,930	11%	AAA
Federal Agricultural Mortgage Corp.	12,926,210	9%	7,986,000	5%	AAA
Federal Home Loan Bank	25,366,880	18%	11,462,935	8%	AAA
Federal Home Loan Mortgage Corp.	35,135,242	25%	60,931,961	42%	AAA
Federal National Mortgage Association	41,179,140	29%	41,508,460	29%	AAA
U.S. Treasury Bills	6,957,880	5%	7,981,000	5%	AAA
	$ 141,357,142	100%	$ 145,779,286	100%	

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Concentration of credit risk – continued

Tucson Airport Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority has the following recurring fair value measurements as of September 30, 2018 and 2017:

Investments Measured at Fair Value

	September 30, 2018		
	Fair Value Measurements Using		
	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled investment fund:			
U.S. Agency securities:			
Federal Farm Credit Bank	$ -	$ 19,791,790	$ -
Federal Agricultural Mortgage Corp.	-	12,926,210	-
Federal Home Loan Bank	-	25,366,880	-
Federal Home Loan Mortgage Corp.	-	35,135,242	-
Federal National Mortgage Assoc.	-	41,179,140	-
U.S. Treasury Bills	-	6,957,880	-
	$ -	$ 141,357,142	$ -

	September 30, 2017		
	Fair Value Measurements Using		
	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled investment fund:			
U.S. Agency securities:			
Federal Farm Credit Bank	$ -	$ 15,908,930	$ -
Federal Agricultural Mortgage Corp.	-	7,986,000	-
Federal Home Loan Bank	-	11,462,935	-
Federal Home Loan Mortgage Corp.	-	60,931,961	-
Federal National Mortgage Assoc.	-	41,508,460	-
U.S. Treasury Bills	-	7,981,000	-
	$ -	$ 145,779,286	$ -

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Concentration of credit risk – continued

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, 2018 and 2017 as follows:

	Cash and cash equivalents		Investments	
	2018	2017	2018	2017
Unrestricted	$ 15,910,640	$ 14,308,803	$ 123,757,404	$ 110,236,047
Restricted				
Environmental Remediation Trust	73,626	278,698	-	-
Debt Service				
Airport Subordinate Lien Revenue Bonds, Series 2018	28,279	-	446,783	-
Airport Subordinate Lien Revenue Bonds, Series 2001	-	50,697	-	904,166
Airport Subordinate Lien Revenue Bonds, Series 2006	-	87,732	-	1,564,676
Series 2006 Debt Service Reserve Fund	-	136,887	-	2,441,338
Capital Acquisition				
Passenger Facility Charge Fund	920,867	1,563,060	14,394,346	27,770,946
Capital Projects Fund	176,639	154,169	2,758,609	2,768,665
Construction Fund	-	6,836	-	124,188
Total Restricted	1,199,411	2,278,079	17,599,738	35,543,239
	$ 17,110,051	$ 16,586,882	$ 141,357,142	$ 145,779,286

Cash and cash equivalents comprised the following at September 30, 2018 and 2017:

	2018	2017	Ratings
Deposits at financial institutions	$ 7,978,807	$ 8,092,624	N/A
Treasury obligation funds	9,121,795	8,484,808	AAA
Cash on hand	9,449	9,450	N/A
Total cash and cash equivalents	$ 17,110,051	$ 16,586,882	

At September 30, 2018, the Authority'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:					
U.S. Treasury and Agency securities	141,357,142	$ 55,118,324	$ 67,686,788	$ 18,552,030	$ -

Notes to Financial Statements (continued)

September 30, 2018 and 2017

NOTE 4 – INVENTORIES

Inventories at September 30, 2018 and 2017 follow:

	2018	2017
Fuel, for internal use and resale	42,844	32,939
Operating and maintenance supplies	286,935	278,859
	$ 329,779	$ 311,798

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 follows:

	Beginning balance	Transfers	Increases	Decreases	Ending balance
Business type activities:					
Capital assets not being depreciated:					
Land	$ 52,748,136	$ -	$ -	$ -	$ 52,748,136
Air Avigation Easements	29,990,090	-	-	-	29,990,090
Artwork	458,630	-	-	-	458,630
Construction in progress	39,991,562	(29,592,211)	22,567,328	-	32,966,679
Total assets not being depreciated	123,188,418	(29,592,211)	22,567,328	-	116,163,535
Less accumulated depreciation for:					
Land improvements	193,269,518	425,748	290,685	(17,901,207)	176,084,744
Buildings and improvements	228,874,927	28,787,929	5,569,554	-	263,232,410
Utilities	5,951,108	-	-	-	5,951,108
Computer software	6,087,409	6,579	6,579	-	6,100,567
Furniture, fixtures, machinery and equipment	43,363,268	371,955	1,034,365	(3,554,800)	41,214,788
Total assets being depreciated	477,546,230	29,592,211	6,901,183	(21,456,007)	492,583,617
Less accumulated depreciation for:					
Land improvements	106,602,634	-	8,060,761	(17,901,207)	96,762,188
Buildings and improvements	137,813,439	-	7,620,494	-	145,433,933
Utilities	5,910,659	-	18,477	-	5,929,136
Computer software	5,753,830	-	106,763	-	5,860,593
Furniture, fixtures, machinery and equipment	27,353,156	-	2,333,753	(3,359,164)	26,327,745
	283,433,718	-	18,140,248	(21,260,371)	280,313,595
Net capital assets being depreciated	194,112,512	29,592,211	(11,239,065)	(195,636)	212,270,022
Net capital assets	$ 317,300,930	$ -	$ 11,328,263	$ (195,636)	$ 328,433,557

NOTE 5 – CAPITAL ASSETS (continued)

Capital asset activity for the year ended September 30, 2017 follows:

	Beginning balance	Transfers	Increases	Decreases	Ending balance
Business type activities:					
Capital assets not being depreciated:					
Land	$ 52,748,136	$ -	$ -	$ -	$ 52,748,136
Air Avigation Easements	29,990,090	-	-	-	29,990,090
Artwork	455,630	3,000	-	-	458,630
Construction in progress	16,414,922	(3,888,031)	27,471,951	(7,280)	39,991,562
Total assets not being depreciated	99,608,778	(3,885,031)	27,471,951	(7,280)	123,188,418
Less accumulated depreciation for:					
Land improvements	190,219,756	1,848,426	1,201,336	-	193,269,518
Buildings and improvements	225,759,166	1,472,677	1,643,084	-	228,874,927
Utilities	5,951,108	-	-	-	5,951,108
Computer software	5,830,332	124,890	132,187	-	6,087,409
Furniture, fixtures, machinery and equipment	41,788,390	439,038	1,267,103	(131,263)	43,363,268
Total assets being depreciated	469,548,752	3,885,031	4,243,710	(131,263)	477,546,230
Less accumulated depreciation for:					
Land improvements	98,428,762	-	8,173,872	-	106,602,634
Buildings and improvements	131,238,269	-	6,575,170	-	137,813,439
Utilities	5,871,945	-	38,714	-	5,910,659
Computer software	5,529,715	-	224,115	-	5,753,830
Furniture, fixtures, machinery and equipment	25,108,455	-	2,375,672	(130,971)	27,353,156
	266,177,146	-	17,387,543	(130,971)	283,433,718
Net capital assets being depreciated	203,371,606	3,885,031	(13,143,833)	(292)	194,112,512
Net capital assets	$ 302,980,384	$ -	$ 14,328,118	$ (7,572)	$ 317,300,930

Depreciation expense was $18,140,248 and $17,387,543 for the years ended September 30, 2018 and 2017, respectively.

Net investment in capital assets as of September 30 is as follows:

	2018	2017
Capital assets	$ 608,747,152	$ 600,734,648
Less accumulated depreciation	(280,313,595)	(283,433,718)
Less outstanding debt	(37,694,358)	(48,236,598)
Net investment in capital assets	$ 290,739,199	$ 269,064,332

NOTE 6 – UNEARNED REVENUES

The Authority has been awarded certain amounts by the Pima County Superior Court in connection with assets seized by Authority 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, 2018 and 2017 the Authority had received rent from certain tenants and certain other payments applicable to the subsequent year. Such amounts have been classified as unearned revenue.

A detail of unearned revenues at September 30, 2018 and 2017 follows:

	2018	2017
Forfeiture funds	$ 107,028	$ 105,620
Marketing/Refurbishment funds	179,513	-
Tenant rent payments	652,927	1,120,381
Total unearned revenues	$ 939,468	$ 1,226,001

NOTE 7 – LONG-TERM DEBT

Long-term debt at September 30, 2018 and 2017 follows:

	2018	2017
$41,580,000 Subordinate Lien Revenue Bonds, Series 2001, terminal expansion and land acquisition. Bonds due in annual amounts, ranging from $715,000 to $2,720,000, June 1, 2004 through June 1, 2031; interest payable semiannually at 4.30% to 5.35%.	$ -	$ 27,770,000
$32,110,000 Subordinate Lien Airport Revenue Bonds, Series 2006, concourse renovation. Bonds due in annual amounts, ranging from $750,000 to $2,470,000, December 1, 2007 through December 1, 2026; interest payable semiannually at 4.25% to 5.00%.	-	20,015,000
$37,330,000 Subordinate Lien Airport Revenue Refunding Bonds, Series 2018, Series 2001 and 2006 Subordinate Lien Airport Revenue Bonds. Bonds due in semi-annual amounts, ranging from $920,000 to $3,345,000, April 1, 2019 through April 1, 2031; interest payable semiannually at 3.243%.	37,330,000	-
	37,330,000	47,785,000
Unamortized premium – Series 2018 bonds	364,358	-
Unamortized premium – Series 2006 bonds	-	517,522
Unamortized discount – Series 2001 bonds	-	(65,924)
	37,694,358	48,236,598
Less current portion	(3,345,000)	(2,990,000)
Noncurrent debt	$ 34,349,358	$ 45,246,598

NOTE 7 – LONG-TERM DEBT (continued)

Long-term debt activity for the year ended September 30, 2018 follows:

	Beginning balance	Increases	Decreases	Ending balance
2018 activity:				
Business type activities:				
Authority bonds:				
2001 subordinate lien airport revenue bonds	$ 27,770,000	$ -	$ (27,770,000)	$ -
2006 subordinate lien airport revenue bonds	20,015,000	-	(20,015,000)	-
		37,330,000	-	37,330,000
Total debt	47,785,000	37,330,000	(47,785,000)	37,330,000
Less current portion	(2,990,000)	-	(355,000)	(3,345,000)
Noncurrent debt	$ 44,795,000	$ 37,330,000	$ (48,140,000)	$ 33,985,000

Long-term debt activity for the year ended September 30, 2017 follows:

	Beginning balance	Increases	Decreases	Ending balance
2017 activity:				
Business type activities:				
Authority bonds:				
2001 subordinate lien airport revenue bonds	$ 29,100,000	$ -	$ (1,330,000)	$ 27,770,000
2006 subordinate lien airport revenue bonds	21,535,000	-	(1,520,000)	20,015,000
Total debt	50,635,000	-	(2,850,000)	47,785,000
Less current portion	(2,850,000)	-	(140,000)	(2,990,000)
Noncurrent debt	$ 47,785,000	$ -	$ (2,990,000)	$ 44,795,000

A summary of annual long-term debt service requirements to maturity as of September 30, 2018, including required principal installments to the bond funds for $37,330,00 and interest payments of $7,008,415 totaling $44,338,415 follows:

	Airport Subordinate Lien Revenue Bonds, Series 2018	
	Principal	Interest
Year ending September 30,		
2019	$ 3,345,000	$ 665,837
2020	2,930,000	1,078,379
2021	3,025,000	982,548
2022	3,120,000	883,799
2023	3,215,000	781,806
2024-2028	15,795,000	2,277,154
2029-2031	5,900,000	338,892
	$ 37,330,000	$ 7,008,415

NOTE 7 – LONG-TERM DEBT (continued)

The Authority'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, 2018 and 2017, the Authority 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 Authority's practice is to engage an independent consultant to evaluate outstanding tax-exempt debt for arbitrage liability and the Authority is of the opinion that no liability has been incurred as of September 30, 2018.

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

NOTE 8 – PENSION AND OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

The Authority 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 Authority accounts for these 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.

At September 30, 2018 and 2017 the Authority 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 participates in.

September 30, 2018	ASRS	PSPRS – Fire Department	PSPRS – Police Department	Net
Net pension/ /OPEB liability	$ 15,098,908	$ 12,249,350	$ 14,600,930	$ 41,949,188
Deferred outflows of resources:				
Difference between actual and expected experience	$ 416,940	$ 120,580	$ 180,583	$ 718,103
Changes of assumptions related to pensions	487,695	582,433	504,972	1,575,100
Difference between projected and actual investment earnings	-	182,539	171,947	354,486
Changes in proportion and differences between employer contributions and and proportionate share of contributions	322,892	-	-	322,892
Contributions subsequent to the measurement date	375,685	258,133	382,334	1,016,152
Total deferred outflows	$ 1,603,212	$ 1,143,685	$ 1,239,836	$ 3,986,733
Deferred inflows of resources:				
Difference between actual and expected experience	$ 119,665	$ 94,915	$ 2,218	$ 216,798
Changes of assumptions related to pensions	1,337,202	5,058	5,652	1,347,912
Difference between projected and actual investment earnings	447,225	124,727	116,953	688,905
Changes in proportion and differences between employer contributions and proportionate share of contributions	398,732	-	-	398,732
Total deferred inflows	$ 2,302,824	$ 224,700	$ 124,823	$ 2,652,347
Pension /OPEB expense	$ (172,856)	$ 1,661,950	$ 1,834,777	$ 3,323,871

NOTE 8 – PENSION AND OPEB PLANS (continued)

September 30, 2017		ASRS		PSPRS – Fire Department		PSPRS – Police Department		Net
Net pension /OPEB liability	$	16,366,300	$	11,823,656	$	14,238,274	$	42,428,230
Deferred outflows of resources:								
Difference between actual and expected experience	$	-	$	24,517	$	316,202	$	340,719
Changes of assumptions related to pensions		710,826		1,079,864		819,435		2,610,125
Difference between projected and actual investment earnings		117,499		64,878		61,083		243,460
Contributions subsequent to the measurement date		329,862		233,489		260,344		823,695
Total deferred outflows	$	1,158,187	$	1,402,748	$	1,457,064	$	4,017,999
Deferred inflows of resources:								
Difference between actual and expected experience	$	490,752	$	193,717	$	-	$	684,469
Changes of assumptions related to pensions		489,382		6,638		8,243		504,263
Difference between projected and actual investment earnings		71,019		10,444		9,066		90,529
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,013,666		-		-		1,013,666
Total deferred inflows	$	2,064,819	$	210,799	$	17,309	$	2,292,927
Pension /OPEB expense	$	(249,519)	$	1,624,464	$	2,284,441	$	3,659,386

Arizona State Retirement System

Plan description

Substantially all full-time employees of the Authority (excluding fire and police personnel) participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost sharing multiple employer defined benefit pension plan, a cost sharing multiple employer defined benefit health insurance premium benefit (OPEB) plan, and a cost sharing multiple employer defined benefit 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.

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona State Retirement System (continued)

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%

*with actuarially reduced benefits

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.

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 June 30, 2017 and 2016, active ASRS members and the Authority were required by statute to contribute at the following actuarially determined rates on members' annual covered payroll:

	2018	2017
Employee contribution rates:		
Retirement	11.34%	11.34%
Long-term disability	0.16%	.14%
	11.50%	11.48%
Employer contribution rates:		
Retirement	10.90%	10.78%
Health insurance premium benefit	0.44%	.56%
Long-term disability	0.16%	.14%
	11.50%	11.48%

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona State Retirement System (continued)

The Authority's contributions to the pension/OPEB plan for the years ended June 30, 2018 and 2017 were $1,236,018 and $1,176,427, respectively.

Pension/OPEB liability

At September 30, 2018 and 2017 the Authority reported a liability of $15,098,908 and $16,346,585 for its proportionate share of the ASRS' net pension/OPEB liability, respectively. The net pension/OPEB liability was measured as of June 30, 2018 and 2017. (The total pension/OPEB liability used to calculate the net pension/OPEB liability was determined using update procedures to roll forward the total pension/OPEB liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018.) The Authority's proportion of the net pension/OPEB liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the years ended June 30, 2018 and 2017. The Authority's proportions, measured as of June 30, 2018 and 2017 were as follows:

	2018	2017	Increase
Pension	0.10814%	0.10506%	0.00308%
Health benefit supplement	0.10989%	*	*
Long term disability	0.10862%	*	*

*Data not available

For the years ended September 30, 2018 and 2017, the Authority recognized pension/OPEB expense (income) for ASRS of $(172,856) and $(249,519), respectively. At September 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension/OPEBs from the following sources:

	September 30, 2018		September 30, 2017	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 416,940	$ 119,665	$ -	$ 490,752
Net difference between projected and actual earnings on pension plan investments	-	447,225	117,499	71,019
Changes of assumptions related to pensions	487,695	1,337,202	710,826	489,392
Changes in proportion and differences between employer contributions and proportionate share of contributions	322,892	398,732	-	1,013,666
Contributions subsequent to the measurement date	375,685	-	329,862	-
	$ 1,603,212	$ 2,302,824	$ 1,158,187	$ 2,064,829

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona State Retirement System (continued)

The $375,685 reported as deferred outflows of resources is related to Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net pension/OPEB liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pension/OPEBs will be recognized in pension/OPEB expense as follows:

Year ending September 30, 2019	$	299,132
2020		(286,064)
2021		(565,149)
2022		(159,321)
2023		7,265
Thereafter		4,525
	$	(699,612)

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

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Inflation	2.30%
Investment rate of return	7.50%
Mortality rates - pension and health	2017 SRA Scale U-MP
Recovery rates - long term disability	2012 GLDT
Projected salary increases - pension	2.7%-7.2%
Permanent benefit increase - pension	Included

Actuarial assumptions used in the June 30, 2017 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 plan investments was determined to be 8.70% using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension 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.

Asset Class	Target asset allocation	Long-term contribution to expected return
Equity	50%	2.75%
Fixed Income	30%	1.15%
Real estate	20%	1.17%
Total	100%	5.07%

Discount rate - The discount rate used to measure the ASRS total pension/OPEB liability was 7.50%, which is less than the long term expected rate of return of 8.70%. 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.

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona State Retirement System (continued)

Sensitivity of the Authority's proportionate share of the ASRS net pension/OPEB liability to changes in the discount rate
The following table presents the Authority's proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.50%, as well as what the Authority'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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% decrease (6.5%)	Current discount rate (7.5%)	1% increase (8.5%)
Authority's proportionate share of the net pension/OPEB liability	$ 21,703,871	$ 15,098,908	$ 9,576,616

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

Arizona Public Safety Personnel Retirement System

Plan description

Employees of the Authority who are employed in either police or 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 and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). PSPRS is administered in accordance with Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes. 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 to 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
Membership date	Before January 1, 2012	On or after January 1, 2012	On or after July 1, 2017

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

The calculations of retirement benefits for employees commence the first day of the month following termination of employment.

For normal retirement the amount of monthly normal pension is based on years of credited service and average monthly compensation, up to a maximum of 80 percent of the average monthly benefit compensation. Age, years of credited service requirements and pension amounts are based on the member's Tier as follows:

Tier 1

First day of month following completion of 20 years of service or following 62nd birthday and completion of 15 years of service.

1. For retirement with 25 or more years of credited service, 50% of average monthly compensation for the first 20 years of credited service, plus 2.5% of average monthly compensation for each year of credited service above 20 years.
2. For retirement with 20 years of credited service but less than 25 years of credited service, 50% of average monthly compensation for the first 20 years of credited service, plus 2% of average monthly compensation for each year of credited service between 20 and 25 years.
3. For retirement with less than 20 years of credited service, the percent of average monthly compensation is reduced at a rate of 4% for each year less than 20 years of credited service.

Tier 2

First day of month following the attainment of age 52.5 and completion of 15 years of service.

1. 15 but less that 17 years of credited service, 1.5% of average monthly compensation for each credited year of service.
2. 17 but less that 19 years of credited service, 1.75% of average monthly compensation for each credited year of service.
3. 19 but less that 22 years of credited service, 2.0% of average monthly compensation for each credited year of service.
4. 22 but less that 25 years of credited service, 2.25% of average monthly compensation for each credited year of service.
5. 25 years of service or more, 62.5% of average monthly compensation for the first 25 years plus 2.5% of average monthly compensation for each year over 25 years of credited service.

Tier 3

First day of month following the attainment of age 55 and completion of 15 years of service:

1. 15 but less than 17 years of credited service, 1.5% of average monthly compensation for each credited year of service.
2. 17 but less than 19 years of credited service, 1.75% of average monthly compensation for each credited year of service.
3. 19 but less than 22 years of credited service, 2.0% of average monthly compensation for each credited year of service.
4. 22 but less than 25 years credited service, 2.25% of average monthly compensation for each credited year of service.
5. 25 years of service or more, 2.5% of average monthly compensation for each credited year of service.

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

The phrase "average monthly benefit compensation," as it is used in the above discussion, is defined as the average of the highest consecutive months of compensation based on the following table:

	Tier 1	Tier 2	Tier 3
Average Salary	High 3 in past 20 years	High 5 in past 20 years	High 5 in past 15 years

All disability and survivor benefits are available to each tier where the determination, process and benefit amount will be the same as they are now.

Disability benefits are calculated as follows:

Ordinary Disability Retirement (not duty-related):	The amount of pension is a percentage of normal pension on employee's credited service (maximum of 20 years divided by 20).
Accidental Disability Retirement (duty-related):	No credited service requirement. Pension is computed in the same manner as normal pension based on credited service and average monthly compensation at time of termination of employment. Pension is 50% of average monthly compensation, or normal pension amount, whichever is greater.
Temporary Disability	Pension is 1/12 of 50% of compensation during the year preceding the date disability was incurred. Payments terminate after 12 months of prior recovery.
Catastrophic Disability Retirement	Pension is 90% of average monthly compensation. After 60 months, the pension is the greater of 62.5% of average monthly compensation or the member's accrued normal pension.

Survivor Pension benefits are paid upon the death of a member while a member is employed by an employer, or after retirement. There is no credited service requirement.

Spouse Pension: 80% of pension deceased active member would have been paid for accidental disability retirement or, in the case of retired member, 80% of the retired member's pension, and requires two years of marriage if retired. The benefit terminates upon the spouses death. For member killed in the line of duty, the benefit is 100% of average compensation, reduced by the child's pension benefit.

Child's Pension: 20% of the pension each month based on the calculation for an accidental disability retirement. The benefit is payable to a dependent child under age 18 or until age 23 if a full-time student.

Guardian's Pension: Same amount as spouse's pension. Payable only during periods no spouse is being paid and there is at least one child under age 18 or until age 23 if a full-time student. 80% of the member's pension and the child's pension will be paid to the guardian.

Named Beneficiary: If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the member's accumulated contributions less the pension payments made to the member.

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Cost-of-Living Adjustment

Tier 1 and Tier 2

Each retired member or survivor of a retired member is eligible to receive a compounding cost-of-living adjustment in the base benefit. The first payment shall be made on July 1, 2018 and every July 1 thereafter. A retired member or survivor of a retired member may receive a Permanent Benefit Increase (PBI) from PSPRS if monies are available. PBI eligibility and calculation is contingent upon the effective retirement date. The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. The cost-of-living adjustment will not exceed 2% per year.

Tier 3

Each retired member or survivor of a retired member is eligible to receive a compounding cost-of-living adjustment in the base benefit, beginning at the earlier of the first calendar year after the 7th anniversary of the retired member's retirement or when the retired member is or would have been sixty years of age. A cost-of-living adjustment shall be paid on July 1 each year that the funded ratio for members hired on or after July 1, 2017 is 70% or more. The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. The cost-of-living adjustment will not exceed:

- 2%, if funded ratio for members who are hired on or after July 1, 2017 is 90% or more;
- 1.5%, if funded ratio for members who are hired on or after July 1, 2017 is 80-90%;
- 1%, if funded ratio for members who are hired on or after July 1, 2017 is 70-80%.

At June 30, 2017 the number of employees covered by the PSPRS agent pension plan benefit terms is as follows:

	Fire Department	%	Police Department	%
Retirees and beneficiaries	18	50.0%	22	47.8%
Inactive, non-retired members	4	11.1%	6	13.0%
Active members	14	38.9%	18	39.1%
	36		42	

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. Rates are a percentage of active members' annual covered payroll.

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

For the Plan years ended June 30, 2018 and 2017 the Authority and active PSPRS members were required to contribute at the following rates, and the Authority's contributions to the pension/OPEB plan, which included the required contributions for the health insurance premium benefit, were as follows:

	Fire		Police	
Employer contributions	2018	2017	2018	2017
Employer pension contribution rates	99.85%	82.60%	92.74%	85.58%
Employer health contribution rates	0.00%	0.00%	0.47%	0.33%
Total employer contribution rate	99.85%	82.60%	93.21%	85.58%
Employer contributions	$ 862,196	$ 850,516	$ 1,033,632	$ 877,536

	Fire		Police	
Employer contributions	2018	2017	2018	2017
Tier 1	7.65%	7.65%	7.65%	7.65%
Tier 2	11.65%	11.65%	11.65%	11.65%
Tier 3	*	*	*	*

*There were no employees in Tier 3 at September 30, 2018 and 2017.

Pension/OPEB liability

At September 30, 2018 and 2017, the Authority reported the following net pension liabilities for its PSPRS pension plans:

	Fire		Police	
	2018	2017	2018	2017
Net pension liability	$ 12,249,350	$ 11,747,204	$ 14,600,930	$ 14,246,517

The net pension/OPEB liabilities were measured as of June 30, 2018 and 2017, respectively, and the total pension/OPEB liability used to calculate the net pension/OPEB liability (asset) was determined by actuarial valuations at these dates.

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

The total pension liability for the PSPRS Fire and Police Department plans in the June 30, 2018 and 2017 measurement was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Payroll growth	3.50%
Inflation	2.50%
Salary increases	3.50%-7.50%, including inflation
Investment rate of return	7.40% (7.50% for 2016), net of investment and administrative expenses
Mortality rates	RP-2014 mortality table projected 1 year backwards to 2013 with MP-2014 (adjusted by 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 United States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation.
Healthcare cost trend rate	N/A

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study from July 1, 2011 to June 30, 2016.

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 expense 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

For each major asset class that is included in the pension/OPEB plan's target asset allocation as of June 30, 2018, estimates are summarized in the following table:

Asset Class	Target Allocation	Long term expected real rate of return
U.S. equity	16%	7.60%
Non-U.S. equity	14%	8.70%
Private equity	12%	5.83%
Fixed income	5%	1.25%
Private credit	16%	6.75%
GTS	12%	3.96%
Real assets	9%	4.52%
Real estate	10%	3.75%
Risk parity	4%	5.00%
Short-term investments	2%	0.25%
	100%	

Discount rate - The discount rate of 7.40% was used to measure the total pension/OPEB liability. The projection of cash flows used to determine the PSPRS 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 pension/OPEB plan's 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.

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Changes in the net pension/OPEB liability –

Tucson Airport Authority Fire Department

Measurement Date, June 30, 2018 Reporting Date, September 30, 2018	Total Pension OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	$ 17,110,758	$ 5,363,554	$ 11,747,204
Changes for the year:			
Service cost	240,724	-	240,724
Interest on the total pension liability	1,240,480	-	1,240,480
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	127,555	-	127,555
Changes of assumptions	-	-	-
Contributions - employer	-	862,196	(862,196)
Contributions - employee	-	89,302	(89,302)
Net investment income	-	369,056	(369,056)
Benefit payments, including refunds	(935,734)	(935,734)	-
of employee contributions	-	(207,683)	207,683
Pension plan administrative expense	-	(6,317)	6,317
Other	-	59	(59)
Net changes	$ 673,025	$ 170,879	$ 502,146
Balances end of year	$ 17,783,783	$ 5,534,433	$ 12,249,350

Tucson Airport Authority Fire Department

Measurement Date, June 30, 2017 Reporting Date, September 30, 2017	Total Pension OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	$ 15,821,744	$ 4,746,116	$ 11,075,628
Changes for the year:			
Service cost	292,542	-	292,542
Interest on the total pension liability	1,160,738	-	1,160,738
Changes of benefit terms	189,346	-	189,346
Differences between expected and actual experience in the measurement of the pension liability	29,349	-	29,349
Changes of assumptions	600,069	-	600,069
Contributions - employer	-	850,516	(850,516)
Contributions - employee	-	132,556	(132,556)
Net investment income	-	565,775	(565,775)
Benefit payments, including refunds of employee contributions	(983,030)	(983,030)	-
Pension plan administrative expense	-	(5,407)	5,407
Other	-	57,028	(57,028)
Net changes	1,289,014	617,438	671,576
Balances end of year	$ 17,110,758	$ 5,363,554	$ 11,747,204

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Changes in the net pension/OPEB liability – continued

Tucson Airport Authority Police Department

Measurement Date, June 30, 2018 Reporting Date, September 30, 2018	Total Pension OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	$ 19,269,075	$ 5,022,560	$ 14,246,515
Changes for the year:			
Service cost	285,672	-	285,672
Interest on the total pension liability	1,391,501	-	1,391,501
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	11,538	-	11,538
Changes of assumptions	-	-	-
Contributions - employer	-	1,033,632	(1,033,632)
Contributions - employee	-	120,133	(120,133)
Net investment income	-	342,715	(342,715)
Benefit payments, including refunds of employee contributions	(1,215,692)	(1,215,692)	-
Hall/Parker Settlement	-	(237,532)	237,532
Pension plan administrative expense	-	(5,916)	5,916
Other		81,264	(81,264)
Net changes	473,019	118,604	354,415
Balances end of year	$ 19,742,094	$ 5,141,164	$ 14,600,930

Tucson Airport Authority Police Department

Measurement Date, June 30, 2017 Reporting Date, September 30, 2017	Total Pension OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	$ 17,479,424	$ 4,405,355	$ 13,074,069
Changes for the year:			
Service cost	318,120	-	318,120
Interest on the total pension liability	1,287,309	-	1,287,309
Changes of benefit terms	231,752	-	231,752
Differences between expected and actual experience in the measurement of the pension liability	239,646	-	239,646
Changes of assumptions	661,557	-	661,557
Contributions - employer	-	877,536	(877,536)
Contributions - employee	-	164,792	(164,792)
Net investment income	-	528,643	(528,643)
Benefit payments, including refunds of employee contributions	(948,733)	(948,733)	-
Pension plan administrative expense	-	(5,079)	5,079
Other	-	44	(44)
Net changes	1,789,651	617,203	1,172,448
Balances end of year	$ 19,269,075	$ 5,022,558	$ 14,246,517

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Sensitivity of the Plan's net pension liability to changes in the discount rate, the following table presents the Plan's net pension/OPEB liability calculated using the single discount rate of 7.40%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate:

	1% decrease (6.40%)	Current discount rate (7.40%)	1% increase (8.40%)
Authority's net pension liability (asset) – Fire Department	$ 14,516,627	$ 12,249,350	$ 10,385,099
Authority's net pension liability (asset) – Police Department	$ 17,038,577	$ 14,600,928	$ 12,586,980

The pension/OPEB plan's fiduciary net position has been determined on the same basis used by the pension/OPEB plan. PSPRS financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of PSPRS. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. PSPRS investments are reported at market value. Market values are determined as follows: Short-term investments are reported at cost plus accrued interest. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated market value as determined by fixed income broker/dealers plus accrued interest. Investments in hedge funds are valued monthly at the last reported valuations. Limited partnership investments in credit opportunities, private equity, real assets and real estate are valued on a quarterly or monthly basis at last reported valuations adjusted by any subsequent cash flows. Detailed information about the pension/OPEB plan's fiduciary net position is available in the separately issued PSPRS financial report.

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Tucson Airport Authority Fire Department

Pension/OPEB expense and deferred outflows/inflows of resources For the years ended September 30, 2018 and 2017 the Authority recognized pension/OPEB expense for PSPRS Fire of $1,661,950 and $1,624,599, respectively. At September 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension/OPEBs from the following sources:

September 30, 2018

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows of resources
Differences between expected and actual			
experience	$ 120,580	$ 94,915	$ 25,665
Changes in assumptions	582,433	5,058	577,375
Net difference between projected and actual			
earnings on pension plan investments	182,539	124,727	57,812
Contributions subsequent to the			
measurement date	258,133	-	258,133
Total	$ 1,143,685	$ 224,700	$ 918,985

September 30, 2017

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows (inflows) of resources
Differences between expected and actual	24,517	193,717	(169,200)
experience	$ 1,079,864	$ 6,638	$ 1,073,226
Changes in assumptions			
Net difference between projected and actual			
earnings on pension plan investments	64,878	10,444	54,434
Contributions subsequent to the			
measurement date	233,489	-	233,489
Total	$ 1,402,748	$ 210,799	$ 1,191,949

The $258,133 reported as deferred outflows of resources related to PSPRS pensions as of September 30, 2018 resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension/OPEB liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pension/OPEBs will be recognized in pension/OPEB expense as follows:

Year ending June 30,	
2019	$ 512,854
2020	271,521
2021	105,526
2022	29,097
2023	(13)
Total	$ 918,985

NOTE 8 – PENSION AND OPEB PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Tucson Airport Authority Police Department

Pension/OPEB expense and deferred outflows/inflows of resources For the years ended September 30, 2018 and 2017 the Authority recognized pension/OPEB expense for PSPRS Police of $1,834,777 and $2,292,083, respectively. At September 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension/OPEBs from the following sources:

September 30, 2018

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows of resources
Differences between expected and actual experience	$ 180,583	$ 2,218	$ 178,365
Changes in assumptions	504,972	5,652	499,320
Net difference between projected and actual earnings on pension plan investments	171,947	116,953	54,994
Contributions subsequent to the measurement date	382,334	-	382,334
Total	$ 1,239,836	$ 124,823	$ 1,115,013

September 30, 2017

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows of resources
Differences between expected and actual experience	$ 316,202	$ -	$ 316,202
Changes in assumptions	819,435	8,243	811,192
Net difference between projected and actual earnings on pension plan investments	61,083	9,066	52,017
Contributions subsequent to the measurement date	260,344	-	260,344
Total	$ 1,457,064	$ 17,309	$ 1,439,755

The $382,334 reported as deferred outflows of resources related to PSPRS pension/OPEBs as of September 30, 2018 resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension/OPEB liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pension/OPEBs will be recognized in pension/OPEB expense as follows:

Year ending June 30,	
2019	$ 858,738
2020	281,600
2021	(31,930)
2022	6,516
2023	89
Total	$ 1,115,013

NOTE 9 – Operating leases with lessees

The Authority is the lessor of various land, facilities and equipment within the Airport System. Lease contracts are generally written with noncancelable terms of up to 30 years. Costs and related accumulated depreciation of property under leases are not practically determinable as the majority of the leases relate only to portions of buildings.

A summary of minimum noncancelable rentals under operating leases at September 30, 2018 follows:

Year ending June 30, 2019	$	10,938,839
2020		10,781,814
2021		10,704,811
2022		10,137,345
2023		7,991,695
Thereafter		68,575,558
	$	119,130,062

Several lease agreements have provisions for contingent rentals calculated on the tenant's gross revenue if greater than contractual minimum annual guarantees, which were incorporated into leases in effect through February 2017. The amount of contingent rental revenue under these leases totaled $347,474 and $154,993 for the years ended September 30, 2018 and 2017, respectively, and is included in concession revenues.

NOTE 10 – Concentration of operating revenues

Concession fees from the airport rental car operations amounted to approximately 14.1% and 15.0% of total operating revenues for the years ended September 30, 2018 and 2017, respectively. Net revenues from the airport parking lot operations amounted to approximately 16.7% and 16.1% of total operating revenues in the years ended September 30, 2018 and 2017, respectively.

NOTE 11 – 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 Authority 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 Authority: terminal expansion, land acquisition for airport expansion and land acquisition for noise mitigation. In June 2006, the FAA approved an additional application to include the concourse renovation project. On December 15, 2017, the Authority 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. The increase in rate was effective October 1, 2006. During the years ended September 30, 2018 and 2017, the Authority earned PFCs of $6,754,513 and $6,477,205, respectively.

NOTE 12 – Risk management

The Authority is exposed to various risks or losses related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority's risk management activities include purchase of commercial insurance with standard deductibles for all significant insurable risks. There have been no significant changes in insurance coverage in the last year. The amounts of settlements have not exceeded insurance coverage for the past four years. Other than for certain environmental remediation liabilities as discussed in Note 14, the financial statements do not include any liability for uninsured claims at September 30, 2018 and 2017.

Losses arising from claims and judgments are expensed when 1) it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements; and 2) the amount of the loss can be reasonably estimated.

NOTE 13 – Commitments

Commitments for contractual services for federally funded and other construction projects at September 30, 2018 totaled approximately $8,762,684. These commitments will be funded in whole or in part by federal and state grants of $2,912,491 and the Authority's previously issued revenue bonds and Authority funds, as necessary, of $5,850,193.

Federal and State Grants

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

Other Contingencies

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

The Authority has significant contracts and leases that include contingent amounts due to the Authority based upon revenues of the lessees and concessionaires. The Authority 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.

NOTE 14 – Environmental matters, litigation and contingencies

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

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

In 1999, the Authority 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 Authority property.

In 1999, the Authority 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 Authority funded a trust for the purpose of providing primary funding for the Authority'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 Authority 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 Authority'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.

NOTE 14 – Environmental matters, litigation and contingencies – continued

Changes in the estimated environmental remediation liability for the years ended September 30, 2018 and 2017 follow:

		2018		2017
Environmental remediation liability, beginning of year	$	23,203,510	$	23,461,032
Current year expense		2,964,165		1,405,893
Investment earnings on Environmental Remediation Trust assets		3,292		1,111
Current year payments		(1,158,364)		(1,664,526)
Environmental remediation liability, end of year	$	25,012,603	$	23,203,510
Environmental remediation liability:				
Current – payable from unrestricted assets	$	5,388,090	$	2,990,995
Current – payable from restricted assets		73,626		278,698
Long-term – payable from unrestricted assets		19,550,887		19,933,817
	$	25,012,603	$	23,203,510

1,4 Dioxane Remedial Investigation and Feasibility Study

In a letter dated July 17, 2008, the U.S. EPA requested that the Authority, 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority anticipates that the amount, if any, of disallowed grant expenditures in the event of granting agency audits would be immaterial.

Other Contingencies

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

The Authority has significant contracts and leases that include contingent amounts due to the Authority based upon revenues of the lessees and concessionaires. The Authority 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.

NOTE 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, 2018 and 2017 restricted net position is as follows:

September 30, 2018

	Environmental Trust	Debt service	Capital projects	Total restricted
Assets				
Cash and cash equivalents	$ 73,626	$ 28,279	$ 1,097,506	$ 1,199,411
Investments	-	446,783	17,152,955	17,599,738
Accounts receivable	-	-	999,164	999,164
Accrued interest receivable	-	-	90,098	90,098
Prepaid insurance	-	-	-	-
Total restricted assets	$ 73,626	$ 475,062	$ 19,339,723	$ 19,888,411
Liabilities				
Accrued interest payable	$ -	$ 60,531	$ -	$ 60,531
Environmental remediation payable - current portion	73,626	-	-	73,626
Total liabilities payable from restricted assets	73,626	60,531	-	134,157
Total Restricted Net Position	$ -	$ 414,531	$ 19,339,723	$ 19,754,254

September 30, 2017

	Environmental Trust	Debt service	Capital projects	Total restricted
Assets				
Cash and cash equivalents	$ 278,698	$ 275,316	$ 1,724,065	$ 2,278,079
Investments	-	4,910,180	30,633,059	35,543,239
Accounts receivable	-	-	950,322	950,322
Accrued interest receivable	-	-	88,659	88,659
Prepaid insurance	-	115,461	-	115,461
Total restricted assets	$ 278,698	$ 5,300,957	$ 33,396,105	$ 38,975,760
Liabilities				
Accrued interest payable	$ -	$ 815,603	$ -	$ 815,603
Environmental remediation payable - current portion	278,698	-	-	278,698
Total liabilities payable from restricted assets	278,698	815,603	-	1,094,301
Total Restricted Net Position	$ -	$ 4,485,354	$ 33,396,105	$ 37,881,459

NOTE 16 – Change in method of accounting for pensions

On October 1, 2015, the Authority changed its accounting method for pensions, as required by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of previously issued statements as they relate to governments that provide Other Postemployment Benefits (OPEB) through plans administered by trusts or similar arrangements that meet certain criteria. This statement requires governments providing OPEB to recognize their long-term obligation for OPEB as a liability. The Authority now reports in its financial statements a net OPEB liability that represents the difference between the total OPEB liability and the OPEB plan's fiduciary net position. Previously the Authority recognized only the expense of minimum contributions required under the plan's most recent actuarial valuation and a liability for contributions withheld not remitted at the end of a reporting period.

The following financial statement line items for fiscal years 2016 and 2017 were affected by the change in accounting method:

Net position, September 30, 2016, as originally stated	$	354,335,515
Change in accounting principle as a result of implementation of GASB Statement No. 75		11,518
Net position, September 30, 2016, as restated		354,347,033
Increase in net position for the year ended September 30, 2017, as originally stated		13,401,666
Change in accounting principle as a result of implementation of GASB Statement No. 75		15,245
Net position, September 30, 2017, as restated	$	367,763,944

REQUIRED SUPPLEMENTARY INFORMATION –unaudited

Schedule of the Authority's Proportionate Share of the Net Pension Liability – Cost Sharing Plan (ASRS)

(2013 – 2009 information not available)

	2018	2017	2016	2015
Reporting date (September 30)	2018	2017	2016	2015
Measurement date (June 30)	(2018)	(2017)	(2016)	(2015)
Authority's proportion of the net pension liability	0.108140%	0.105060%	0.110640%	0.116260%
Authority's proportionate share of the net pension liability	$ 15,081,724	$ 16,366,300	$ 17,858,407	$ 18,108,646
Authority's covered employee payroll	10,748,407	10,234,127	10,309,250	10,708,240
Authority's covered employee payroll net pension liability as a percentage of its covered employee payroll	140.32%	159.92%	173.23%	169.11%
Plan fiduciary net position as a percentage of total pension liability	73.00%	69.92%	67.06%	68.08%

	2014	2013	2012	2011	2010	2009
	(2014)	(2013)	(2012)	(2011)	(2010)	(2009)
	0.120267%	-%	-%	-%	-%	-%
$	17,795,379	-	-	-	-	-
	10,840,726	-	-	-	-	-
	164.15%	-%	-%	-%	-%	-%
	69.49%	-%	-%	-%	-%	-%

Schedule of the Authority's Proportionate Share of the Net OPEB Liability – Cost Sharing Plan (ASRS)

(2016 – 2009 information not available)

Health Benefit Subsidy (HBS)

	2018	2017	2016	2015
Reporting date (September 30) (Measurement date (June 30))	(2018)	(2017)	(2016)	(2015)
Authority's proportion of the net pension liability	0.109890%	0.106520%	0.000000%	0.000000%
Authority's proportionate share of the net pension liability	$ (39,570)	$ (57,989)	$ -	$ -
Authority's covered employee payroll	10,748,407	10,234,127	-	-
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	-0.37%	-0.57%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	102.00%	103.57%	0.00%	0.00%

Long-term Disability (LTD)

	2018	2017	2016	2015
Reporting date (September 30) (Measurement date (June 30))	(2018)	(2017)	(2016)	(2015)
Authority's proportion of the net pension liability	0.108620%	0.105590%	0.000000%	0.000000%
Authority's proportionate share of the net pension liability	$ 56,754	$ 38,274	$ -	$ -
Authority's covered employee payroll	10,748,407	10,234,127	-	-
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	0.53%	0.37%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	78.00%	84.44%	0.00%	0.00%

2014		2013		2012		2011		2011		2010		2009
(2014)		(2013)		(2012)		(2011)		(2011)		(2010)		(2009)
0.000000%		0.000000%		0.000000%		0.000000%		0.000000%		0.000000%		0.000000%
$	-	$	-	$	-	$	-	$	-	$	-	$	-
	-		-		-		-		-		-		-
0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%
0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%

2014		2013		2012		2011		2011		2010		2009
(2014)		(2013)		(2012)		(2011)		(2011)		(2010)		(2009)
0.000000%		0.000000%		0.000000%		0.000000%		0.000000%		0.000000%		0.000000%
$	-	$	-	$	-	$	-	$	-	$	-	$	-
	-		-		-		-		-		-		-
0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%
0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%

Multiyear Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Agent Retirement Plan (PSPRS) – Fire Department

(2013 – 2009 information not available)

Reporting date (September 30) Measurement date (June 30)	2018 (2018)	2017 (2017)	2016 (2016)	2015 (2015)
Total pension liability				
Service cost	$ 237,359	$ 288,240	$ 226,588	$ 214,614
Interest on total pension liability	1,221,934	1,144,049	1,114,931	1,113,123
Benefit changes	-	189,346	237,906	-
Difference between expected and actual experience	127,803	(1,002)	(88,660)	(347,529)
Assumption changes	-	608,287	563,682	-
Benefit payments, including refunds of employee contributions	(923,319)	(966,355)	(1,102,101)	(824,231)
Net change in total pension liability	663,777	1,262,565	952,346	155,977
Total pension liability, beginning	16,855,608	15,593,043	14,640,697	14,484,720
Total pension liability, ending (a)	$ 17,519,385	$ 16,855,608	$ 15,593,043	$ 14,640,697
Plan fiduciary net position				
Contributions employer	$ 862,196	$ 850,516	$ 839,895	$ 527,805
Contributions employee	89,302	132,556	133,036	120,005
Pension plan net investment income	346,270	529,903	26,592	164,399
Benefit payments, including refunds of employee contributions	(923,319)	(966,355)	(1,102,101)	(824,231)
Hall/Parker Settlement	(207,683)	-	-	-
Pension plan administrative expense	(5,970)	(5,089)	(4,227)	(4,385)
Other	59	57,028	58,877	(115,462)
Net change in fiduciary net position	160,855	598,559	(47,928)	(131,869)
Plan fiduciary net position, beginning	5,031,952	4,433,393	4,481,321	4,613,190
Plan fiduciary net position, ending (b)	$ 5,192,807	$ 5,031,952	$ 4,433,393	$ 4,481,321
Net pension liability (asset), ending (a)–(b)	$ 12,326,578	$ 11,823,656	$ 11,159,650	$ 10,159,376
Plan fiduciary net position as a percentage of total pension liability	29.64%	29.85%	28.43%	30.61%
Covered valuation payroll	$ 1,051,655	$ 1,229,168	$ 1,174,641	$ 1,098,649
Net pension liability as a percentage of covered valuation payroll	1172.11%	961.92%	950.05%	924.72%

2014	2013	2012	2011	2010	2009
(2014)	(2013)	(2012)	(2011)	(2010)	(2009)
$ 217,088	$ -	$ -	$ -	$ -	$ -
926,805	-	-	-	-	-
362,124	-	-	-	-	-
(59,196)	-	-	-	-	-
1,746,767	-	-	-	-	-
(813,515)	-	-	-	-	-
2,380,073	-	-	-	-	-
12,104,647	-	-	-	-	-
$ 14,484,720	$ -	$ -	$ -	$ -	$ -
$ 497,883	$ -	$ -	$ -	$ -	$ -
111,010	-	-	-	-	-
570,917	-	-	-	-	-
(813,515)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(261,027)	-	-	-	-	-
105,268	-	-	-	-	-
4,507,922	-	-	-	-	-
$ 4,613,190	$ -	$ -	$ -	$ -	$ -
$ 9,871,530	$ -	$ -	$ -	$ -	$ -
31.85%	0.00%	0.00%	0.00%	0.00%	0.00%
$ 1,013,577	$ -	$ -	$ -	$ -	$ -
973.93%	0.00%	0.00%	0.00%	0.00%	0.00%

Multiyear Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios Agent Retirement Plan (PSPRS) – Fire Department

(2016 – 2009 information not available)

	2018	2017	2016	2015
Reporting date (September 30)	2018	2017	2016	2015
Measurement date (June 30)	(2018)	(2017)	(2016)	(2015)
Total OPEB liability				
Service cost	$ $3,365	$ 4,302	$ -	$ -
Interest on total OPEB liability	18,546	16,689	-	-
Benefit changes	-	-	-	-
Difference between expected and actual experience	(248)	30,351	-	-
Assumption changes	-	(8,218)	-	-
Benefit payments, including refunds of employee contributions	(12,415)	(16,675)	-	-
Net change in total OPEB liability	9,248	26,449	-	-
Total OPEB liability, beginning	255,150	228,701	-	-
Total OPEB liability, ending (a)	$ 264,398	$ 255,150	$ -	$ -
Plan fiduciary net position				
Contributions - employer	$ -	$ -	$ -	$ -
Contributions - employee	-	-	-	-
OPEB plan net investment income	22,786	35,872	-	-
Benefit payments, including refunds of employee contributions	(12,415)	(16,675)	-	-
Hall/Parker Settlement	-	-	-	-
OPEB plan administrative expense	(347)	(318)	-	-
Other	-	-	-	-
Net change in fiduciary net position	10,024	18,879	-	-
Plan fiduciary net position, beginning	331,602	312,723	-	-
Plan fiduciary net position, ending (b)	$ $341,626	$ 331,602	$ -	$ -
Net OPEB liability (asset), ending (a) - (b)	$ $(77,228)	$ (76,452)	$ -	$ -
Plan fiduciary net position as a percentage of total OPEB liability	129.21%	129.96%	0.00%	0.00%
Covered valuation payroll	$ $1,051,655	$ 1,229,168	$ -	$ -
Net OPEB liability as a percentage of covered valuation payroll	-7.34%	-6.22%	0.00%	0.00%

2014	2013	2012	2011	2010	2009
(2014)	(2013)	(2012)	(2011)	(2010)	(2009)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
$ -	$ -	$ -	$ -	$ -	$ -
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Multiyear Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Agent Retirement Plan (PSPRS) – Police Department

(2013 – 2009 information not available)

	2018	2017	2016	2015
Reporting date (September 30)	2018	2017	2016	2015
Measurement date (June 30)	(2018)	(2017)	(2016)	(2015)
Total pension liability				
Service cost	$ 281,283	$ 313,234	$ 253,073	$ 258,524
Interest on total pension liability	1,369,937	1,267,411	1,213,721	1,171,149
Benefit changes	-	230,905	212,521	-
Difference between expected and actual experience	(2,801)	213,612	163,868	195,045
Assumption changes	-	672,391	607,920	-
Benefit payments, including refunds of employee contributions	(1,199,709)	(935,761)	(1,150,547)	(1,008,807)
Net change in total pension liability	448,710	1,761,792	1,300,556	615,911
Total pension liability, beginning	18,971,871	17,210,079	15,910,153	15,294,242
Total pension liability, ending (a)	$ 19,420,581	$ 18,971,871	$ 17,210,709	$ 15,910,153
Plan fiduciary net position				
Contributions employer	$ 1,032,770	$ 871,881	$ 860,997	$ 614,539
Contributions employee	120,133	164,792	172,693	280,628
Pension plan net investment income	323,004	497,677	24,385	154,668
Benefit payments, including refunds of employee contributions	(1,199,709)	(935,761)	(1,150,547)	(1,008,807)
Hall/Parker Settlement	(237,532)	-	-	-
Pension plan administrative expense	(5,616)	(4,804)	(3,909)	(4,150)
Other	81,265	46	1,450	(3,035)
Net change in fiduciary net position	114,315	593,831	(94,931)	33,843
Plan fiduciary net position, beginning	4,733,599	4,139,768	4,234,699	4,200,856
Plan fiduciary net position, ending (b)	$ 4,847,914	$ 4,733,599	$ 4,139,768	$ 4,234,699
Net pension liability (asset), ending (a)–(b)	$ 14,572,667	$ 14,238,272	$ 13,070,311	$ 11,675,454
Plan fiduciary net position as a percentage of total pension liability	24.96%	24.95%	24.05%	26.62%
Covered valuation payroll	$ 1,329,942	$ 1,395,872	$ 1,309,901	$ 1,364,568
Net pension liability as a percentage of covered valuation payroll	1095.74%	1020.03%	997.81%	855.62%

2014 (2014)	2013 (2013)	2012 (2012)	2011 (2011)	2010 (2010)	2009 (2009)
$ $256,981	$ -	$ -	$ -	$ -	$ -
965,854	-	-	-	-	-
342,709	-	-	-	-	-
178,695	-	-	-	-	-
1,778,168	-	-	-	-	-
(807,083)	-	-	-	-	-
2,715,324	-	-	-	-	-
12,578,918	-	-	-	-	-
$ $15,294,242	$ -	$ -	$ -	$ -	$ -
$ $576,148	$ -	$ -	$ -	$ -	$ -
150,551	-	-	-	-	-
511,958	-	-	-	-	-
(807,083)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(209,036)	-	-	-	-	-
222,538	-	-	-	-	-
3,978,318	-	-	-	-	-
$ $4,200,856	$ -	$ -	$ -	$ -	$ -
$ $11,093,386	$ -	$ -	$ -	$ -	$ -
27.47%	0.00%	0.00%	0.00%	0.00%	0.00%
$ $1,305,875	$ -	$ -	$ -	$ -	$ -
849.50%	0.00%	0.00%	0.00%	0.00%	0.00%

Multiyear Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios Agent Retirement Plan (PSPRS) – Police Department

(2016 – 2009 information not available)

	2018	2017	2016	2015
Reporting date (September 30)	2018	2017	2016	2015
Measurement date (June 30)	(2018)	(2017)	(2016)	(2015)
Total OPEB liability				
Service cost	$ 4,389	$ 4,886	$ -	$ -
Interest on total OPEB liability	21,564	19,898	-	-
Benefit changes	-	847	-	-
Difference between expected and actual experience	14,339	26,034	-	-
Assumption changes	-	(10,834)	-	-
Benefit payments, including refunds of employee contributions	(15,983)	(12,972)	-	-
Net change in total OPEB liability	24,309	27,859	-	-
Total OPEB liability, beginning	297,204	269,345	-	-
Total OPEB liability, ending (a)	$ 321,513	$ 297,204	$ -	$ -
Plan fiduciary net position				
Contributions - employer	$ 862	$ $5,655	$ -	$ -
Contributions - employee	-	-	-	-
OPEB plan net investment income	19,711	30,966	-	-
Benefit payments, including refunds of employee contributions	(15,983)	(12,972)	-	-
Hall/Parker Settlement	-	-	-	-
OPEB plan administrative expense	(300)	(275)	-	-
Other	1	-	-	-
Net change in fiduciary net position	4,291	23,374	-	-
Plan fiduciary net position, beginning	288,961	265,587	-	-
Plan fiduciary net position, ending (b)	$ 293,252	$ 288,961	$ -	$ -
Net OPEB liability (asset), ending (a) - (b)	$ 28,261	$ 8,243	$ -	$ -
Plan fiduciary net position as a percentage of total OPEB liability	91.21%	97.23%	0.00%	0.00%
Covered valuation payroll	$ 1,329,942	$ 1,395,872	$ -	$ -
Net OPEB liability as a percentage of covered valuation payroll	2.12%	0.59%	0.00%	0.00%

2014	2013	2012	2011	2010	2009
(2014)	(2013)	(2012)	(2011)	(2010)	(2009)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
$ -	$ -	$ -	$ -	$ -	$ -
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

STATISTICAL SECTION

Statistical Section

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Net Position and Changes in Net Position

Fiscal Years Ended September 30

	2009	2010	2011	2012
Operating revenues				
Landing fees	$ 3,955,954	$ 3,716,258	$ 3,218,611	$ 3,065,212
Space rentals	14,642,735	14,271,708	14,464,321	14,404,808
Land rent	2,485,048	2,632,103	2,694,612	2,639,679
Concession revenue	15,914,805	16,451,297	16,978,230	16,717,118
Product sales	2,959,860	3,111,248	3,386,663	2,624,936
Airport services	3,244,457	3,997,120	4,016,841	3,626,002
Other operating revenues	4,308,162	4,577,805	4,634,781	4,764,771
Total operating revenues	47,511,021	48,757,539	49,394,059	47,842,526
Nonoperating revenues				
Interest income	1,947,288	1,104,984	850,527	757,378
Passenger facility charges	7,221,319	7,418,447	7,064,714	6,884,959
Other nonoperating revenues	590,487	(263,931)	97,930	7,813
Total nonoperating revenues	9,759,094	8,259,500	8,013,171	7,650,150
Total revenues	57,270,115	57,017,039	57,407,230	55,492,676
Operating expenses				
Personnel expenses	19,289,037	18,338,923	18,565,829	18,813,878
Contractual services	6,268,927	6,064,411	6,301,918	5,759,286
Materials and supplies	1,197,635	1,264,250	1,390,653	1,405,494
Cost of product sales	2,108,804	2,260,029	2,612,723	2,063,364
Other operating expenses	1,346,920	1,090,153	1,274,401	1,244,705
Depreciation and amortization	16,530,294	16,783,060	15,298,186	15,386,500
Total operating expenses	46,741,617	45,800,826	45,443,710	44,673,227
Nonoperating expenses				
Interest expense and fiscal charges	4,872,368	4,591,809	4,252,272	3,373,283
Environmental remediation expenses	6,128,082	4,707,923	834,444	1,420,602
Other nonoperating expenses	26,950	-	1,896	13,216
Total nonoperating expenses	11,027,400	9,299,732	5,088,612	4,807,101
Total expenses	57,769,017	55,100,558	50,532,322	49,480,328
Capital contributions	9,196,017	15,868,166	8,606,611	12,633,202
Special item - Loss on asset impairment	(14,063)	(1,891,123)	(403,565)	-
Increase in net position	$ 8,683,052	$ 15,893,524	$ 15,077,954	$ 18,645,550
Net position at year-end				
Net investment in capital assets	$ 176,927,712	$ 188,439,666	$ 198,997,844	$ 208,795,492
Restricted	26,738,088	29,259,452	31,135,480	33,221,914
Unrestricted	71,446,085	73,306,291	75,950,039	82,711,507
Total net position	$ 275,111,885	$ 291,005,409	$ 306,083,363	$ 324,728,913
Prior Period Adjustment	-	-	-	-
Total net position, as restated	$ 275,111,885	$ 291,005,409	$ 306,083,363	$ 324,728,913

2013	2014	2015	2016	2017	2018
$ 2,727,682	$ 2,677,840	$ 2,638,511	$ 2,793,333	$ 2,761,273	$ 2,242,036
14,541,598	14,712,712	15,516,879	15,563,025	14,983,380	14,443,728
2,684,589	2,663,514	2,767,584	2,754,715	2,963,840	3,510,909
14,234,828	14,442,602	14,458,462	15,146,036	16,014,764	17,153,120
1,000,111	-	-	-	-	-
3,069,561	3,813,682	3,787,935	3,239,181	3,451,629	3,799,364
4,336,606	3,040,508	2,817,414	2,624,624	2,733,868	2,876,372
42,594,975	41,350,858	41,986,785	42,120,914	42,908,754	44,025,529
733,777	1,003,767	1,383,045	1,533,109	1,757,178	2,252,824
6,193,285	6,135,127	6,010,676	6,071,068	6,477,205	6,754,513
(466,024)	655,988	576,808	(47,097)	(866,155)	(1,164,745)
6,461,038	7,794,882	7,970,529	7,557,080	7,368,228	7,842,592
49,056,013	49,145,740	49,957,314	49,677,994	50,276,982	51,868,121
18,855,823	21,271,873	19,945,414	19,887,460	20,124,552	20,323,973
6,321,777	5,843,202	6,064,007	6,165,827	6,120,706	6,089,002
1,348,952	1,764,994	1,465,876	1,311,559	1,422,945	1,544,793
851,930	-	-	-	-	-
1,177,404	2,632,370	914,491	884,209	853,019	1,047,945
16,472,711	15,860,805	16,577,216	14,534,836	17,404,890	18,255,710
45,028,597	47,373,244	44,967,004	42,783,891	45,926,112	47,261,423
3,048,133	2,787,713	2,667,488	2,542,271	2,408,925	2,249,588
1,469,875	1,120,109	421,500	440,980	1,405,893	2,964,165
15,714	-	280	17,250	752	8,928
4,533,722	3,907,822	3,089,268	3,000,501	3,815,570	5,222,681
49,562,319	51,281,066	48,056,272	45,784,392	49,741,682	52,484,104
13,542,280	26,622,392	15,074,095	7,812,027	12,881,611	19,822,884
-	-	-	-	-	-
$ 13,035,974	$ 24,487,065	$ 16,975,137	$ 11,705,629	$ 13,416,911	$ 19,206,901
$ 220,212,684	$ 236,631,507	$ 247,391,638	$ 251,798,899	$ 269,064,332	$ 290,739,199
32,995,119	34,237,052	36,710,371	38,342,080	37,881,459	19,754,254
84,557,084	54,786,190	58,527,877	64,194,536	60,818,153	76,477,392
$ 337,764,887	$ 325,654,749	$ 342,629,886	$ 354,335,515	$ 367,763,944	$ 386,970,845
-	-	-	11,518	-	-
$ 337,764,887	$ 325,654,749	$ 342,629,886	$ 354,347,033	$ 367,763,944	$ 386,970,845

Source: Authority audited financial statements.

Principal Revenue Sources

Fiscal Years Ended September 30

	2009	2010	2011	2012
Passenger airline rates and charges				
Landing fees	$ 3,530,022	$ 3,319,897	$ 2,919,614	$ 2,787,533
Terminal rentals	8,408,438	8,183,398	8,444,687	8,604,629
Security fees	1,152,120	1,780,152	1,757,292	1,673,772
Terminal use fees	26,379	18,579	-	-
Custodial, equipment and parking	360,384	348,516	353,069	295,335
Total passenger airline rates and charges	13,477,343	13,650,542	13,474,662	13,361,269
Concession revenues				
Parking lots	6,355,839	6,142,297	6,305,069	6,299,860
Rental cars	7,100,966	7,701,287	8,157,476	7,941,530
News and gift	742,644	755,931	707,181	677,861
Food and beverage	1,015,971	1,079,669	1,117,322	1,118,681
Other	699,386	772,112	691,181	679,186
Total concession revenues	15,914,806	16,451,296	16,978,229	16,717,118
Other operating revenues				
Space rental	5,617,955	5,597,873	5,541,202	5,315,138
Land rent	2,485,048	2,632,103	2,694,612	2,639,679
Tenant finishes	330,270	224,621	249,221	226,888
Cargo airline landing fees	298,302	232,481	200,488	203,776
Air cargo space rentals	286,072	265,816	229,211	258,153
Fuel flowage	1,989,537	2,173,138	2,033,772	1,949,201
TSA reimbursements	534,701	506,675	476,118	527,436
Rental car customer facility charges	1,105,380	1,100,777	1,148,769	1,168,421
General aviation product sales	2,959,860	3,111,248	3,386,663	2,624,936
Other	2,511,747	2,810,969	2,981,112	2,850,511
Total other operating revenues	18,118,872	18,655,701	18,941,168	17,764,139
Total operating revenues	47,511,021	48,757,539	49,394,059	47,842,526
Nonoperating revenues				
Interest income	1,947,288	1,104,984	850,527	757,378
Passenger facility charges	7,221,319	7,418,447	7,064,714	6,884,959
Other nonoperating revenues	590,487	(263,931)	97,930	7,813
Total nonoperating revenues	9,759,094	8,259,500	8,013,171	7,650,150
Total revenues	$ 57,270,115	$ 57,017,039	$ 57,407,230	$ 55,492,676

Source: Authority audited financial statements and records.

2013	2014	2015	2016	2017	2018
$ 2,442,338	$ 2,374,308	$ 2,276,000	$ 2,377,507	$ 2,358,611	$ 1,932,402
8,718,422	8,526,226	9,031,797	9,012,994	8,998,645	8,962,562
1,620,612	1,683,084	2,168,184	2,010,660	2,039,015	2,388,206
-	-	-	-	-	-
281,127	290,848	266,689	268,989	168,086	30,870
13,062,499	12,874,466	13,742,670	13,670,150	13,564,357	13,314,040
5,889,802	6,091,415	6,192,931	6,392,766	6,900,338	7,342,654
5,883,762	5,909,460	5,733,134	6,114,720	6,417,509	6,193,649
675,724	711,183	708,067	679,767	492,237	1,308,953
1,111,483	1,095,263	1,165,119	1,242,012	1,241,351	1,137,726
674,057	635,281	659,211	716,771	963,329	1,170,139
14,234,828	14,442,602	14,458,462	15,146,036	16,014,764	17,153,120
5,305,856	5,724,956	6,030,053	6,059,773	5,818,658	5,343,938
2,684,589	2,663,514	2,767,584	2,754,715	2,963,840	3,483,678
224,858	224,858	224,858	224,858	92,715	95,850
208,659	207,482	206,601	216,621	203,237	160,329
292,462	236,672	230,171	265,400	267,005	273,105
2,042,185	897,339	405,135	422,306	438,212	454,743
413,479	423,100	425,099	390,311	388,385	348,645
1,106,892	1,105,439	1,173,263	1,197,810	1,209,425	1,239,323
1,000,111	475,582	223,161	195,554	203,969	218,176
2,018,557	2,074,848	2,099,728	1,577,380	1,744,187	1,940,583
15,297,648	14,033,790	13,785,653	13,304,728	13,329,633	13,558,369
42,594,975	41,350,858	41,986,785	42,120,914	42,908,754	44,025,529
733,777	1,003,767	1,383,045	1,533,109	1,757,178	2,252,824
6,193,285	6,135,127	6,010,676	6,071,068	6,477,205	6,754,513
(466,024)	655,988	576,808	(47,097)	(866,155)	(1,164,745)
6,461,038	7,794,882	7,970,529	7,557,080	7,368,228	7,842,592
$ 49,056,013	$ 49,145,740	$ 49,957,314	$ 49,677,994	$ 50,276,981	$ 51,868,122

Principal Revenue Source Ratios

Fiscal Years Ended September 30

	2009	2010	2011	2012
Passenger airline rates and charges as a percentage of total operating revenues	28.4%	28.0%	27.3%	27.9%
Concession revenues as a percentage of total operating revenues	33.5%	33.7%	34.4%	34.9%
Non-passenger airline revenues as a percentage of total operating revenues	71.6%	72.0%	72.7%	72.1%
Enplaned passengers	1,837,175	1,855,615	1,841,834	1,826,046
Airline cost per enplaned passenger	$ 7.34	$ 7.36	$ 7.32	$ 7.32
Concession revenues per enplaned passenger	$ 8.66	$ 8.87	$ 9.22	$ 9.15
Operating revenues per enplaned passenger	$ 25.86	$ 26.28	$ 26.82	$ 26.20
Total revenues per enplaned passenger	$ 31.17	$ 30.73	$ 31.17	$ 30.39

Source: Enplaned passengers as reported by airlines.

Rates and Charges

Fiscal Years Ended September 30

	2009	2010	2011	2012
Signatory airlines				
Landing fee (per 1,000 lbs.)	$ 1.65	$ 1.55	$ 1.35	$ 1.32
Ticketing space (per sq. ft. per year)	$ 71.44	$ 71.44	$ 73.86	$ 73.86
Baggage claim (per sq. ft. per year)	$ 67.74	$ 67.74	$ 70.04	$ 70.04
Baggage makeup (per sq. ft. per year)	$ 42.86	$ 23.80	$ 24.61	$ 24.61
Baggage claim office (per sq. ft. per year)	$ 71.44	$ 71.44	$ 73.86	$ 73.86
Operations space (per sq. ft. per year)	$ 60.70	$ 60.70	$ 62.76	$ 62.76
Hold room (per gate per year)	$ 104,163.41	$ 105,152.00	$ 107,700.75	$ 107,700.75
Aircraft parking position (per gate per year)	$ 7,473.50	$ 7,473.50	$ 7,726.84	$ 7,726.84
Parking				
Hourly lot (per hour)	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Daily lot (per day)	$ 9.00	$ 9.00	$ 9.00	$ 9.00
Garage (per day Oct - Mar)	$ 9.00	$ 9.00	$ 9.00	$ 9.00
Garage (per day Apr - Sep)	$ 11.00	$ 9.00	$ 9.00	$ 9.00
Economy uncovered (per day)	$ 4.00	$ 4.00	$ 4.00	$ 4.00
Economy covered (per day Oct. - Mar.)	$ 5.00	$ 5.00	$ 5.00	$ 5.00
Economy covered (per day Apr. - Sep.)	$ 6.00	$ 5.00	$ 5.00	$ 5.00
Rental car privilege fee (% of gross receipts)				
On-airport operators	10.0%	10.0%	10.0%	10.0%
Off-airport operators	10.0%	10.0%	10.0%	10.0%

	2013	2014	2015	2016	2017	2018
	30.7%	31.1%	32.7%	32.5%	31.6%	30.2%
	33.4%	34.9%	34.4%	36.0%	37.3%	39.0%
	69.3%	68.9%	67.3%	67.5%	68.4%	69.8%
	1,655,617	1,621,231	1,590,321	1,618,304	1,711,518	1,782,050
	$ 7.89	$ 7.94	$ 8.64	$ 8.45	$ 7.93	$ 7.47
	$ 8.60	$ 8.91	$ 9.09	$ 9.36	$ 9.36	$ 9.63
	$ 25.73	$ 25.51	$ 26.40	$ 26.03	$ 25.07	$ 24.70
	$ 29.63	$ 30.31	$ 31.41	$ 30.70	$ 29.38	$ 29.11

	2013	2014	2015	2016	2017	2018
	$ 1.31	$ 1.41	$ 1.31	$ 1.30	$ 1.29	$ 1.04
	$ 76.30	$ 76.30	$ 78.81	$ 78.81	$ 80.91	$ 80.91
	$ 72.36	$ 72.36	$ 74.74	$ 74.74	$ 76.73	$ 76.73
	$ 25.42	$ 25.42	$ 26.26	$ 26.26	$ 26.96	$ 26.96
	$ 76.30	$ 76.30	$ 78.81	$ 78.81	$ 80.91	$ 80.91
	$ 64.84	$ 64.84	$ 66.97	$ 66.97	$ 68.75	$ 68.75
	$ 111,263.62	$ 111,265.62	$ 114,926.26	$ 114,926.26	$ 117,983.30	$ 117,983.30
	$ 7,982.45	$ 7,982.60	$ 8,245.20	$ 8,245.23	$ 8,464.55	$ 8,464.55
	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00
	$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 10.00	$ 10.00
	$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 10.00	$ 10.00
	$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 9.00
	$ 4.00	$ 4.00	$ 4.00	$ 4.00	$ 4.50	$ 4.50
	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 6.00	$ 6.00
	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00
	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

N.A.: Not applicable.

Source: Authority records.

Ratios of Outstanding Debt, Debt Service and Debt Limits

Fiscal Years Ended September 30

	2009	2010	2011	2012
Outstanding Debt Ratios				
Outstanding debt by type				
Senior lien revenue bonds	$ 27,630,000	$ 22,950,000	$ 8,810,000	$ 4,510,000
Subordinate lien revenue bonds	67,095,000	65,075,000	62,960,000	60,730,000
Junior subordinate lien revenue bonds	3,635,000	-	-	-
Notes payable	-	-	-	-
Total outstanding debt	$ 98,360,000	$ 88,025,000	$ 71,770,000	$ 65,240,000
Enplaned passengers	1,837,175	1,855,615	1,841,834	1,826,046
Outstanding debt per enplaned passenger	$53.54	$47.44	$38.97	$35.73
Operating revenues	$ 47,511,021	$ 48,757,539	$ 49,394,059	$ 47,842,526
Ratio of outstanding debt to operating revenues	2.07	1.81	1.45	1.36
Total revenues	$ 57,270,115	$ 57,017,039	$ 57,407,230	$ 55,492,676
Ratio of outstanding debt to total revenues	1.72	1.54	1.25	1.18
Debt Service Ratios				
Debt service				
Principal (1)	$ 6,504,490	$ 6,700,000	$ 6,950,000	$ 6,530,000
Interest	5,135,005	4,775,942	4,761,308	3,621,515
Total debt service	$ 11,639,495	$ 11,475,942	$ 11,711,308	$ 10,151,515
Debt service per enplaned passenger	$ 6.34	$ 6.18	$ 6.36	$ 5.56
Total expenses	$ 57,769,017	$ 55,100,558	$ 50,532,322	$ 49,480,328
Ratio of debt service to total expenses	0.20	0.21	0.23	0.21
Debt Limit (2)	N.A.	N.A.	N.A.	N.A.

(1) Excludes amounts paid for early retirement of debt.

(2) The Authority has no statutory debt limit. Senior lien revenue bond limits would be calculated through an additional bonds test (ABT) established in the Authority's senior lien bond resolution.

Source: Authority audited financial statements.

		2013		2014		2015		2016		2017		2018
$		-	$	-	$	-	$	-	$	-	$	-
		58,385,000		55,930,000		53,345,000		50,635,000		47,785,000		37,330,000
		-		-		-		-		-		-
		-		-		-		-		-		-
$		58,385,000	$	55,930,000	$	53,345,000	$	50,635,000	$	47,785,000	$	37,330,000
		1,655,617		1,621,231		1,590,321		1,618,304		1,711,518		1,782,050
		35.26		34.50		33.54		31.29		27.92		20.95
$		42,594,975	$	41,350,858	$	41,986,785	$	42,120,914	$	42,908,754	$	44,025,529
		1.37		1.35		1.27		1.20		1.11		0.85
$		49,056,013	$	49,145,740	$	49,957,314	$	49,677,994	$	50,276,981	$	51,868,122
		1.19		1.14		1.07		1.02		0.95		0.72
$		6,855,000	$	2,455,000	$	2,585,000	$	2,710,000	$	2,850,000	$	2,990,000
		3,288,317		2,944,190		2,819,690		2,688,815		2,551,315		3,089,878
$		10,143,317	$	5,399,190	$	5,404,690	$	5,398,815	$	5,401,315	$	6,079,878
$		6.13	$	3.33	$	$3.40	$	3.34	$	3.16	$	$3.41
$		49,562,319	$	51,281,066	$	48,056,272	$	45,784,392	$	49,756,927	$	$52,484,536
		0.20		0.11		0.11		0.12		0.11		0.12
		N.A.		N.A.		N.A.		N.A.		N.A.		N.A.

Airport Revenue Bond Coverage Per Bond Resolutions

Fiscal Years Ended September 30

	2009	2010	2011	2012
Senior Lien Revenue Bond Debt Service Coverage				
Operating revenues	$ 47,511,021	$ 48,757,539	$ 49,394,059	$ 47,842,526
Interest income (1)	1,290,242	675,665	483,890	423,027
Transfer from airline reserve fund (2)	2,078,826	4,471,531	2,217,351	1,867,127
Total revenues	50,880,089	53,904,735	52,095,300	50,132,680
Operation and maintenance expenses	(30,211,323)	(29,017,766)	(30,145,524)	(29,286,727)
Net revenues	20,668,766	24,886,969	21,949,776	20,845,953
Senior lien debt service requirement				
Series 2001A,B,C	1,307,268	1,309,878	1,307,078	-
Series 2003 refunding	4,739,196	4,737,575	4,736,833	4,738,833
Total senior lien debt service	$ 6,046,464	$ 6,047,453	$ 6,043,911	$ 4,738,833
Senior lien revenue bond debt service coverage	3.42	4.12	3.63	4.40
Required minimum coverage	1.25	1.25	1.25	1.25
Subordinate Lien Revenue Bond Debt Service Coverage				
Net revenues	$ 20,668,766	$ 24,886,969	$ 21,949,776	$ 20,845,953
PFC revenues transferred for subordinate lien debt service	4,875,789	4,876,327	4,878,142	4,897,807
Subtotal	25,544,555	29,763,296	26,827,918	25,743,760
Senior lien debt service	(6,046,464)	(6,047,453)	(6,043,911)	(4,738,833)
Net revenues available for subordinate lien debt service	19,498,091	23,715,843	20,784,007	21,004,927
Subordinate lien debt service requirement				
Series 2001	2,864,257	2,864,665	2,863,990	2,882,873
Series 2006	2,572,292	2,572,458	2,575,642	2,576,642
Series 2018	-	-	-	-
Total subordinate lien debt service	$ 5,436,549	$ 5,437,123	$ 5,439,632	$ 5,459,515
Subordinate lien revenue bond debt service coverage	3.59	4.36	3.82	3.85
Required minimum coverage	1.10	1.10	1.10	1.10
Total Revenue Bond Debt Service Coverage				
Net revenues	$ 20,668,766	$ 24,886,969	$ 21,949,776	$ 20,845,953
PFC revenues transferred for subordinate lien debt service	4,875,789	4,876,327	4,878,142	4,897,807
Subtotal	25,544,555	29,763,296	26,827,918	25,743,760
Total revenue bond debt service requirement				
Senior lien bonds	6,046,464	6,047,453	6,043,911	4,738,833
Subordinate lien bonds	5,436,549	5,437,123	5,439,632	5,459,515
Junior subordinate lien bonds	49,594	10,785	-	-
Total revenue bond debt service	$ 11,532,607	$ 11,495,361	$ 11,483,543	$ 10,198,348
Total revenue bond debt service coverage	2.21	2.59	2.34	2.52
Required minimum coverage	1.00	1.00	1.00	1.00

(1) Net revenues per the Authority's bond resolutions excludes interest income on restricted funds and certain unrestricted insurance proceeds.

(2) This amount is calculated in accordance with the airport use agreement. See the introduction letter for a description of the Authority's airport use agreement.

2013	2014	2015	2016	2017	2018
$ 42,594,975	$ 41,350,858	$ 41,986,785	$ 42,120,914	$ 42,908,754	$ 44,025,529
408,225	558,471	783,869	897,339	1,022,053	1,517,699
1,828,523	170,566	4,015,500	-	-	1,100,000
44,831,723	42,079,895	46,786,154	43,018,253	43,930,807	46,643,228
(28,555,886)	(31,512,439)	(28,389,788)	(28,249,055)	(28,521,222)	(29,005,713)
16,275,837	10,567,456	18,396,366	14,769,198	15,409,585	17,637,515
-	-	-	-	-	-
3,157,000	-	-	-	-	-
$ 3,157,000	$ -	$ -	$ -	$ -	$ -
5.16	-	-	-	-	-
1.25	1.25	1.25	1.25	1.25	1.25
$ 16,275,837	$ 10,567,456	$ 18,396,366	$ 14,769,198	$ 15,409,585	$ 17,637,515
4,836,868	4,805,218	4,763,643	4,656,554	4,823,054	5,096,988
21,112,705	15,372,674	23,160,009	19,425,752	20,232,639	22,734,503
(3,157,000)	-	-	-	-	-
17,955,705	15,372,674	23,160,009	19,425,752	20,232,639	22,734,503
2,826,757	2,843,423	2,844,923	2,792,315	2,862,257	2,814,230
2,570,475	2,573,183	2,516,683	2,445,225	2,573,225	2,540,043
-	-	-	-	-	347,245
$ 5,397,232	$ 5,416,606	$ 5,361,606	$ 5,237,540	$ 5,435,482	$ 5,701,518
3.33	2.84	4.32	3.71	3.72	3.99
1.10	1.10	1.10	1.10	1.10	1.10
$ 16,275,837	$ 10,567,456	$ 18,396,366	$ 14,769,198	$ 15,409,585	$ 17,637,515
4,836,868	4,805,218	4,763,643	4,656,554	4,823,054	5,096,988
21,112,705	15,372,674	23,160,009	19,425,752	20,217,394	22,734,071
3,157,000	-	-	-	-	-
5,397,232	5,416,606	5,361,606	5,237,540	5,435,482	5,701,518
-	-	-	-	-	-
$ 8,554,232	$ 5,416,606	$ 5,361,606	$ 5,237,540	$ 5,435,482	$ 5,701,518
2.47	2.84	4.32	3.71	3.72	3.99
1.00	1.00	1.00	1.00	1.00	1.00

Source: Authority audited financial statements and bond resolutions.

Population in the Air Service Area

As of July 1 (April 1 for U.S. Census Data)

	2008	2009	2010	2011	2012
Primary service area					
Pima County, Arizona	984,032	984,274	980,263	986,081	990,380
Annual % change	0.7%	0.0%	-0.4%	0.6%	0.4%
Secondary service area					
Cochise County, Arizona	130,567	130,296	131,346	130,537	130,752
Graham County, Arizona	36,453	37,281	37,220	37,710	37,314
Greenlee County, Arizona	8,808	8,533	8,437	8,380	8,599
Pinal County, Arizona	358,190	364,995	375,770	384,231	389,192
Santa Cruz County, Arizona	47,016	47,384	47,420	48,088	48,724
Total secondary service area	581,034	588,489	600,193	608,946	614,581
Annual % change	4.9%	1.3%	2.0%	1.5%	0.9%
Total primary and secondary service areas	1,565,066	1,572,763	1,580,456	1,595,027	1,604,961
Annual % change	2.2%	0.5%	0.5%	0.9%	0.6%
State of Arizona	6,368,649	6,389,081	6,392,017	6,438,178	6,498,569
Annual % change	1.5%	0.3%	0.1%	0.7%	0.9%
United States	304,059,724	307,006,550	308,745,538	311,582,564	313,873,685
Annual % change	0.9%	1.0%	0.6%	0.9%	0.7%

Source: Arizona Department of Administration, Office of Employment and Population Statistics, The State Demographer's Office; except for 2010, which is based on census data from the U.S. Census Bureau.

Unemployment Rates in the Air Service Area

Annual Average

	2008	2009	2010	2011	2012
Primary Service Area					
Pima County, Arizona	5.6%	8.8%	9.4%	8.3%	7.3%
Secondary service area					
Cochise County, Arizona	5.6%	7.8%	8.8%	8.8%	8.2%
Graham County, Arizona	6.8%	14.7%	14.2%	10.4%	8.9%
Greenlee County, Arizona	5.1%	18.5%	11.4%	8.2%	6.0%
Pinal County, Arizona	7.1%	12.0%	11.6%	10.3%	8.9%
Santa Cruz County, Arizona	10.6%	15.4%	17.1%	17.0%	17.2%
Total secondary service area	6.9%	11.4%	11.5%	10.4%	9.3%
Total primary and secondary service areas	6.0%	9.7%	10.1%	9.0%	7.9%
State of Arizona	6.0%	9.9%	10.5%	9.5%	8.3%
United States	5.8%	9.3%	9.6%	8.9%	8.1%

Source: Arizona Department of Administration, Office of Employment and Population Statistics, in cooperation with the U.S. Dept of Labor, Bureau of Labor Statistics. Local Area Unemployment Statistics (LAUS) data.

2013	2014	2015	2016	2017	2018
996,046	1,007,162	1,009,371	1,013,103	1,026,099	1,034,201
0.6%	1.1%	0.2%	0.4%	1.3%	0.8%
130,906	129,628	129,112	128,343	128,383	130,319
37,872	38,315	38,475	38,303	38,275	38,126
10,913	10,476	10,555	10,433	10,961	10,506
393,813	396,237	406,468	413,312	427,603	440,591
49,218	49,554	50,270	50,581	51,507	52,390
622,722	624,210	634,880	640,972	656,729	671,932
1.3%	0.2%	1.7%	1.0%	2.5%	2.3%
1,618,768	1,631,372	1,644,251	1,654,075	1,682,828	1,706,133
0.9%	0.8%	0.8%	0.6%	1.7%	1.4%
6,581,054	6,667,241	6,758,251	6,835,518	6,965,897	7,076,199
1.3%	1.3%	1.4%	1.1%	1.9%	1.6%
316,128,839	317,297,938	321,422,019	323,127,513	325,507,602	327,167,434
0.7%	0.4%	1.3%	0.5%	0.7%	0.5%

2013	2014	2015	2016	2017	2018
6.9%	6.3%	5.7%	5.0%	4.5%	4.4%
8.5%	8.3%	7.6%	6.3%	5.4%	5.6%
8.1%	6.9%	7.7%	6.7%	5.7%	5.1%
6.7%	6.5%	8.5%	7.7%	5.5%	4.6%
8.4%	7.4%	6.6%	5.6%	4.9%	4.9%
18.0%	16.2%	14.6%	10.1%	9.6%	9.3%
9.1%	8.2%	7.6%	6.2%	5.4%	5.4%
7.7%	6.9%	6.4%	5.4%	4.8%	4.7%
8.0%	8.0%	6.0%	5.4%	4.8%	4.8%
7.4%	6.2%	5.1%	4.9%	4.4%	4.0%

Major Employers in the Air Service Area

Full-time Equivalent Employees

Employer	Industry Sector	2008	2009	2010	2011
University of Arizona	Education	10,535	10,575	10,363	10,481
Raytheon Missile Systems	Manufacturing	12,515	11,539	12,140	10,500
State of Arizona	State Government	10,754	9,329	8,708	8,866
Davis-Monthan Air Force Base	Military	7,701	7,509	7,755	8,462
Pima County	Local Government	6,954	6,235	6,511	6,403
Tucson Unified School District No. 1	Education	8,018	7,227	7,012	6,709
Banner - University Medicine (2)	Health Services	3,304	3,552	3,542	5,982
U.S. Customs and Border Protection	Federal Government	2,975	3,468	3,530	3,669
Freeport-McMoRan nc.	Mining	5,840	5,987	3,997	4,803
Wal-Mart Stores, Inc.	Retail	5,805	6,715	7,192	7,308
U.S. Army Intelligence Center, Fort Huachuca	Military	6,701	6,463	6,236	6,225
City of Tucson	Local Government	5,848	5,635	5,399	4,930
Tohono O'odham Nation	Local Government	2,725	4,553	4,353	4,353
Carondelet Health Network	Health Services	4,766	4,570	4,566	4,690
TMC HealthCare	Health Services	3,038	3,184	3,050	2,966
Southern Arizona V.A. Health Care System	Health Services	1,729	2,026	2,117	2,208
Corrections Corporation of America	Government Services	1,778	2,468	2,512	2,487
Fry's Food Stores	Retail	2,268	2,668	3,109	3,100
Pima Community College	Education	2,325	2,299	2,309	2,336
Asarco	Mining	2,185	2,575	2,125	2,262
Sunnyside Unified School District	Education	2,685	2,358	2,120	2,145
Afni, Inc.	Call Center	1,409	1,628	1,893	2,100
APAC Customer Services Inc.	Call Center	(1)	(1)	1,475	1,570
Pinal County	Local Government	2,321	2,450	2,455	2,340
Amphitheater Unified School District	Education	2,096	2,096	1,965	1,924
Vail Unified School District	Education	(1)	(1)	1,444	1,362
Target Corp.	Retail	1,623	1,800	1,900	1,773
Citi	Call Center	1,900	2,400	2,500	2,000
Circle K Stores Inc.	Retail	(1)	(1)	(1)	(1)
Casino Del Sol Resort Spa and Casino	Entertainment	(1)	(1)	(1)	(1)
Northwest Medical Center	Health Services	2,124	1,671	1,658	1,758
U.S. Postal Service	Federal Government	1,800	1,930	1,810	1,899
Walgreen Co.	Retail	1,303	1,443	1,511	1,726
GEICO	Insurance	(1)	(1)	(1)	(1)
Marana Unified School District	Education	1,866	1,836	1,755	1,606
University Physicians Healthcare (2)	Health Services	1,856	2,039	2,219	(2)

Source: Arizona Daily Star, Star 200 survey. Participation in the survey is voluntary. Includes employers in the Authority's primary and secondary service areas.

(1) Data not provided and/or not a major employer.
(2) University Physicians merged with the University Medical Center in 2011 and was purchased by Banner Health in 2015.
(3) The Star 200 survey was discontinued after 2016. No comparable data was available.

2012	2013	2014	2015	2016	Percentage of Total Employment	2017 (3)	2018 (3)
10,681	10,846	11,047	11,235	11,251	1.8%		
10,500	10,300	9,933	9,600	9,600	1.5%		
9,061	8,807	9,439	8,524	8,580	1.4%		
8,566	9,100	8,933	8,335	8,406	1.3%		
6,170	6,076	7,328	7,023	7,060	1.1%		
6,674	6,790	6,525	7,134	6,770	1.1%		
5,594	6,099	6,329	6,542	6,272	1.0%		
6,000	6,500	4,135	6,470	5,739	0.9%		
5,068	5,463	5,600	5,800	5,530	0.9%		
7,300	7,450	5,200	5,400	5,500	0.9%		
6,198	5,096	5,717	5,314	5,477	0.9%		
4,541	4,585	4,845	4,882	4,595	0.7%		
4,350	4,350	4,350	4,350	4,350	0.7%		
4,635	3,668	3,476	3,943	3,860	0.6%		
2,904	2,977	2,954	2,976	3,162	0.5%		
2,151	2,182	2,450	2,255	2,464	0.4%		
2,482	2,314	2,146	2,300	2,413	0.4%		
3,100	2,700	2,024	2,136	2,346	0.4%		
2,386	2,384	2,177	2,207	2,235	0.4%		
2,348	2,297	2,366	2,427	2,200	0.4%		
2,125	2,083	2,000	2,200	2,100	0.3%		
2,198	2,199	1,950	2,220	1,900	0.3%		
1,650	1,777	1,904	1,904	1,889	0.3%		
1,952	1,993	1,931	1,917	1,852	0.3%		
1,920	1,833	1,814	1,789	1,739	0.3%		
1,442	1,469	1,578	1,625	1,705	0.3%		
1,639	1,640	1,640	1,640	1,640	0.3%		
2,000	2,000	1,900	1,800	1,600	0.3%		
(1)	(1)	(1)	(1)	1,600	0.3%		
(1)	1,300	1,500	1,600	1,592	0.3%		
1,532	1,757	1,722	1,651	1,585	0.3%		
1,562	1,558	1,226	1,496	1,531	0.2%		
1,399	1,420	1,420	1,459	1,419	0.2%		
(1)	(1)	(1)	(1)	1,411	0.2%		
1,600	1,657	1,706	1,754	1,404	0.2%		
(2)	(2)	(2)	(2)	(2)	0.0%		

Authority Employees

Authorized Full-Time Equivalent Positions as of September 30

	2009	2010	2011	2012
Management	4.25	4.00	4.00	4.00
Legal	2.50	4.00	4.00	3.00
Public Information/Government Affairs	4.00	4.00	-	-
Administration/Properties	9.00	9.00	7.00	7.00
Information Technology and Telecommunications	11.00	11.00	11.00	9.00
Human Resources	6.00	5.00	5.00	5.00
Procurement	9.50	9.00	9.00	9.00
Air Service Development and Marketing	-	-	7.00	5.00
Office, Records, and Warehouse Management	-	-	-	-
Finance	9.75	10.00	10.00	9.00
Projects	31.75	31.00	25.00	22.00
Operations Management	3.00	7.00	7.00	7.00
Airside Operations	5.00	-	-	-
Police	53.50	53.50	51.00	48.50
Fire	19.00	18.00	17.00	16.50
Communications/Dispatch	13.00	13.00	12.00	12.00
Custodial	54.00	53.00	53.00	44.00
Flight Line Services	29.50	29.00	25.00	23.00
Maintenance	41.00	43.00	42.00	40.00
Ryan Airfield	2.50	-	-	-
Total	308.25	303.50	289.00	264.00

Source: Authority records.

2013	2014	2015	2016	2017	2018
4.00	4.00	3.00	3.00	3.00	3.00
3.00	3.00	3.00	3.00	4.00	3.00
-	-	-	-		
7.00	8.00	7.00	7.00	8.00	8.00
9.00	9.00	9.00	9.00	9.00	9.00
5.00	5.00	4.00	4.00	4.00	5.00
8.00	7.00	6.00	6.00	6.00	5.00
4.00	4.00	4.00	4.00	4.00	4.00
-	-	9.00	10.00	8.00	10.00
9.00	8.00	7.00	7.00	7.00	7.00
21.00	29.00	24.50	24.50	24.50	23.50
9.00	3.00	2.00	2.00	2.00	4.00
-	7.25	8.00	8.00	8.00	8.00
47.50	46.00	44.00	44.00	44.00	43.50
17.00	17.00	17.00	17.00	17.00	17.00
12.00	12.00	13.00	12.00	12.00	12.00
43.00	42.00	42.00	42.00	42.00	42.00
16.00	2.00	-	-	-	-
40.00	38.50	37.00	37.00	38.00	39.00
-	-	-	-		
254.50	244.75	239.50	239.50	240.50	243.00

Airport Information
Tucson International Airport

As of September 30

Airport code:	TUS
FAA category:	Commercial service,medium hub (2)
Location:	8 miles south of downtown Tucson, Arizona
Elevation:	2,641 feet above sea level
International:	24/7 U.S. Customs Federal Inspection Station
Tower:	FAA-staffed 24/7

		2009	2010	2011	2012
Land area (acres):		8,343	8,343	8,343	8,343
Runways:	11L-29R (main)	10,996 x 150 ft.	10,996 x 150 ft.	10,996 x 150 ft.	10,996 x 150 ft.
	3-21 (crosswind)	7,000 x 150 ft.	7,000 x 150 ft.	7,000 x 150 ft.	7,000 x 150 ft.
	11R-29L (GA & commuter)	8,408 x 75 ft.	8,408 x 75 ft.	8,408 x 75 ft.	8,408 x 75 ft.
Main terminal:	Airlines (sq. ft.)	202,451	202,451	202,451	202,451
	Concessions	35,067	35,067	35,067	35,067
	TSA & security checkpoints	10,401	10,401	10,401	10,401
	Public/common	115,300	115,300	115,300	115,300
	Authority use	12,076	12,076	12,076	12,076
	Mechanical	76,730	76,730	76,730	76,730
	Total (sq. ft.)	452,025	452,025	452,025	452,025
	Number of gate positions	19	19	19	19
	Number of active gates	18	18	18	18
	Apron (sq. ft.)	1,474,485	1,941,985	1,941,985	1,941,985
Consolidated	Number of companies	7	7	7	7
rental car facility:	Quick turnaround facilities	7	7	7	7
	Customer service building (sq. ft.)	18,000	18,000	18,000	18,000
	3-level parking structure (spaces)				
	Rental car use	697	697	697	697
	Airport employee use	661	661	661	661
	Public parking	605	605	605	605
Public parking lots	Hourly	469	469	469	469
(surface spaces):	Daily	908	908	908	908
	Covered economy	308	308	308	308
	Uncovered economy	5,337	5,337	5,337	5,337
	Total	7,022	7,022	7,022	7,022
Air cargo:	Number of buildings	3	3	3	3
	Total sq. ft.	35,000	35,000	35,000	35,000
	Apron (sq. ft.)	819,000	819,000	819,000	819,000
General aviation:	Number of FBOs (1)	5	5	5	5
	Apron (sq. ft.)	1,301,767	1,301,767	1,301,767	1,301,767

(1) Includes a limited service FBO (fueling, tie-downs and pilot facilities) owned and operated by the Authority. Fueling services ended 1/31/2014.
(2) Effective 10/01/2012 TAA's FAA category changed to, commercial services, small hub.

Source: Authority records.

2013	2014	2015	2016	2017	2018
8,343	8,343	8,282	8,282	8,282	8,282
10,996 x 150 ft.	10,996 x 150 ft.	10,996 x 150 ft.	10,996 x 150 ft.	10,996 x 150 ft.	10,996 x 150 ft.
7,000 x 150 ft.	7,000 x 150 ft.	7,000 x 150 ft.	7,000 x 150 ft.	7,000 x 150 ft.	7,000 x 150 ft.
8,408 x 75 ft.	8,408 x 75 ft.	8,408 x 75 ft.	8,408 x 75 ft.	8,408 x 75 ft.	8,408 x 75 ft.
202,451	202,451	202,451	202,451	202,451	197,268
35,067	35,067	35,067	35,067	35,067	30,309
10,401	10,401	10,401	10,401	10,401	22,531
115,300	115,300	115,300	115,300	115,300	132,070
12,076	23,862	23,862	23,862	23,862	28,904
76,730	76,730	76,730	76,730	76,730	56,333
452,025	463,811	463,811	463,811	463,811	467,415
19	19	19	19	19	19
18	18	18	18	19	19
1,941,985	1,941,985	1,941,985	1,941,985	1,941,985	1,941,985
7	7	7	7	7	7
7	7	7	7	7	7
18,000	18,000	18,000	18,000	18,000	18,000
697	697	697	697	697	697
661	661	661	661	661	661
605	605	605	605	605	605
469	469	469	469	469	469
908	908	908	908	908	908
308	308	308	308	308	308
5,337	5,337	5,337	5,337	5,337	5,337
7,022	7,022	7,022	7,022	7,022	7,022
3	3	3	3	3	3
35,000	35,000	35,000	35,000	35,000	35,000
819,000	819,000	819,000	819,000	819,000	819,000
5	4	3	3	3	3
1,301,767	1,301,767	1,301,767	1,301,767	1,301,767	1,301,767

Airport Information
Ryan Airfield

As of September 30

Airport code: RYN
FAA category: General aviation
Location: 12 miles southwest of downtown Tucson, Arizona
Elevation: 2,417 feet above sea level
International: No international facilities
Tower: Contract - staffed 6:00 A.M. - 8:00 P.M. daily

		2009	2010	2011	2012
Land area (acres):		1,804	1,804	1,804	1,804
Runways:	6R-24L	5,500 x 75 ft.	5,500 x 75 ft.	5,500 x 75 ft.	5,500 x 75 ft.
	6L-24R	4,900 x 75 ft.	4,900 x 75 ft.	4,900 x 75 ft.	4,900 x 75 ft.
	15-33 (crosswind)	4,000 x 75 ft.	4,000 x 75 ft.	4,000 x 75 ft.	4,000 x 75 ft.
Terminal:		None	None	None	None
FBO services:	Number of FBOs (1)	1	1	1	1
	Apron (sq. ft.)	465,000	465,000	465,000	465,000

(1) Includes a limited service FBO (fueling, tie-downs and pilot facilities) owned and operated by the Authority.
Fueling services ended 12/31/2013.

Aircraft maintenance services are offered by various private businesses on the airport.

Source: Authority records.

	2013	2014	2015	2016	2017	2018
	1,804	1,804	1,804	17,999	17,999	17,999
	5,500 x 75 ft.	5,500 x 75 ft.	5,500 x 75 ft.	5,500 x 75 ft.	5,500 x 75 ft.	5,500 x 75 ft.
	4,900 x 75 ft.	4,900 x 75 ft.	4,900 x 75 ft.	4,900 x 75 ft.	4,900 x 75 ft.	4,900 x 75 ft.
	4,000 x 75 ft.	4,000 x 75 ft.	4,000 x 75 ft.	4,000 x 75 ft.	4,000 x 75 ft.	4,000 x 75 ft.
	None	None	None	None	None	None
	1	1	1	1	1	1
	465,000	436,000	436,000	436,000	436,000	436,000

Passenger, Cargo and Mail Summary
Tucson International Airport

Fiscal Years Ended September 30

	2009	2010	2011	2012
Passengers				
Enplaned	1,837,175	1,855,615	1,841,834	1,826,046
Deplaned	1,832,749	1,853,563	1,835,060	1,823,737
Total	3,669,924	3,709,178	3,676,894	3,649,783
Annual % change	-16.5%	1.1%	-0.9%	-0.7%
Air Freight (pounds)				
All-cargo carriers				
Enplaned	26,312,873	27,826,292	25,242,128	26,487,591
Deplaned	33,482,706	38,460,356	33,726,997	42,433,770
Total	59,795,579	66,286,648	58,969,125	68,921,361
Annual % change	-18.6%	10.9%	-11.0%	16.9%
Passenger carriers				
Enplaned	714,317	938,253	840,931	915,005
Deplaned	2,312,730	2,146,039	1,798,178	1,595,464
Total	3,027,047	3,084,292	2,639,109	2,510,469
Annual % change	-13.8%	1.9%	-14.4%	-4.9%
Mail (pounds)				
Enplaned	243	189	1,681	5,391
Deplaned	8,852	9,324	11,313	6,991
Total	9,095	9,513	12,994	12,382
Annual % change	-27.2%	4.6%	36.6%	-4.7%

Source: Authority records based on airline reporting.

2013	2014	2015	2016	2017	2018
1,655,617	1,621,231	1,590,321	1,618,304	1,711,518	1,782,050
1,653,003	1,618,618	1,591,580	1,610,085	1,701,933	1,769,109
3,308,620	3,239,849	3,181,901	3,228,389	3,413,451	3,551,159
-9.3%	-2.1%	-1.8%	1.5%	5.7%	4.0%
29,923,629	29,713,492	27,929,293	25,854,899	26,062,422	29,920,833
36,390,827	33,480,907	36,302,965	34,188,437	30,312,564	33,436,313
66,314,456	63,194,399	64,232,258	60,043,336	56,374,986	63,357,146
-3.8%	-4.7%	1.6%	-6.5%	-6.1%	12.4%
671,255	581,698	812,252	690,595	542,651	616,836
1,374,109	1,020,436	1,140,052	1,103,759	801,217	683,861
2,045,364	1,602,134	1,952,304	1,794,354	1,343,868	1,300,697
-18.5%	-21.7%	21.9%	-8.1%	-25.1%	-3.2%
5,291	5,419	3,041	2,160	3,120	882
9,301	10,979	25,485	83,158	42,992	29,183
14,592	16,398	28,526	85,318	46,112	30,065
17.8%	12.4%	74.0%	199.1%	-46.0%	-34.8%

Aircraft Operations Summary

Fiscal Years Ended September 30

	2009	2010	2011	2012
Tucson International Airport				
Air carrier	35,551	35,143	35,911	34,423
Air taxi	21,953	23,388	21,959	20,309
Military	29,412	30,687	27,569	24,887
General aviation	94,470	79,265	72,893	65,545
Total	181,386	168,483	158,332	145,164
Annual % change	-21.8%	-7.1%	-6.0%	-8.3%
Ryan Airfield (1)				
Air carrier	2	-	-	-
Air taxi	9	4	20	-
Military	5,287	4,190	3,446	9,744
General aviation	121,881	117,518	108,541	107,531
Total	127,179	121,712	112,007	117,275
Annual % change	-36.7%	-4.3%	-8.0%	4.7%

(1) Data collected during Ryan UNICOM regular hours of operation (6:00 a.m. - 8:00 p.m.).

Source: FAA "Air Traffic Activity" reports, Tucson International Airport air traffic control tower records, and Ryan air traffic control tower records.

Enplaned Passengers By Scheduled Carrier

Fiscal Years Ended September 30

Carrier	2009	% of Total	2010	2011	2012
American Airlines	628,514	34.2%	613,751	626,260	638,794
Southwest Airlines	594,120	32.3%	606,913	618,007	623,484
Delta Air Lines	213,295	11.6%	212,276	199,841	199,117
United Airlines	271,318	14.8%	288,570	263,890	262,245
Alaska Airlines	49,490	2.7%	50,134	52,967	57,391
Aeromar	-	0.0%	-	-	-
Frontier Airlines	74,500	4.1%	79,777	80,869	45,015
Sun Country Airlines	5,932	0.3%	4,194	-	-
Via Air	-	0.0%	-	-	-
Aerolitoral	6	0.0%	-	-	-
Total	1,837,175	100.0%	1,855,615	1,841,834	1,826,046

Note: Where available, information for regional affiliate carriers is included with the associated major carriers.
Predecessor airline information is included in the current carrier totals.

Source: Authority records based on airline reports.

2013	2014	2015	2016	2017	2018
30,593	30,527	28,624	32,888	35,625	36,059
20,417	19,308	20,126	17,541	13,767	13,753
25,133	24,693	28,050	26,974	27,734	21,181
62,120	64,892	64,622	62,152	55,741	60,176
138,263	139,420	141,422	139,555	132,867	131,169
-4.8%	0.8%	1.4%	-1.3%	-4.8%	-1.3%
-	-	2	-	-	-
2	-	-	-	-	4
14,914	14,675	20,464	16,483	13,602	13,862
106,658	103,135	97,017	94,376	90,808	80,759
121,574	117,810	117,483	110,859	104,410	94,625
3.7%	-3.1%	-0.3%	-5.6%	-5.8%	-9.4%

2013	2014	2015	2016	2017	% of Total	2018	% of Total
605,261	638,006	628,962	616,346	661,910	38.7%	677,895	38.0%
592,375	530,680	506,260	497,687	493,566	28.8%	482,524	27.1%
181,950	179,842	181,236	216,432	240,113	14.1%	258,946	14.5%
222,485	198,926	203,459	215,208	234,805	13.7%	257,997	14.5%
53,546	73,777	70,404	72,631	77,694	4.5%	97,314	5.5%
-	-	-	-	3,430	0.2%	-	0.0%
-	-	-	-	-	0.0%	-	0.0%
-	-	-	-	-	0.0%	5,598	0.3%
-	-	-	-	-	0.0%	1,776	0.1%
-	-	-	-	-	0.0%	-	0.0%
1,655,617	1,621,231	1,590,321	1,618,304	1,711,518	100.0%	1,782,050	100.0%

Scheduled Carrier Landed Weights (1,000 lbs. Units)

Fiscal Years Ended September 30

Carrier	2009	% of Total	2010	2011	2012	2013
Passenger carriers						
American Airlines	675,866	31.6%	661,672	697,146	683,765	668,463
Southwest Airlines	787,992	36.8%	762,806	800,968	810,352	708,544
Delta Air Lines	218,425	10.2%	230,247	208,625	213,304	191,419
United Airlines	301,105	14.1%	342,923	315,044	299,888	242,435
Alaska Airlines	52,302	2.4%	52,205	52,495	58,787	53,504
Aeromar	-	0.0%	-	-	-	-
Frontier Airlines	95,306	4.5%	91,767	88,674	46,009	-
Sun Country Airlines	8,367	0.4%	5,983	-	-	-
Via Air	-	0.0%	-	-	-	-
Aerolitoral	43	0.0%	-	-	-	-
Total	2,139,406	100.0%	2,147,603	2,162,952	2,112,104	1,864,365
Cargo carriers						
Federal Express	141,821	78.5%	144,005	139,971	145,331	149,664
Ameriflight	9,706	5.4%	8,243	8,539	9,044	9,617
Air Cargo Carriers	-	0.0%	-	-	-	-
UPS	22,470	12.4%	-	-	-	-
DHL	6,630	3.7%	-	-	-	-
Total	180,627	100.0%	152,248	148,510	154,374	159,281
Grand total	2,320,033		2,299,851	2,311,462	2,266,479	2,023,646

Note: Where available, information for regional affiliate carriers is included with the associated major carriers.
Predecessor airline information is included in the current carrier totals.

Source: Authority records based on airline reports.

2014	2015	2016	2017	% of Total	2018	% of Total
704,729	682,507	696,297	706,789	37.8%	717,591	37.4%
600,950	582,838	575,400	543,476	29.1%	523,176	27.3%
188,555	185,116	243,961	264,562	14.2%	276,239	14.4%
215,279	217,723	241,336	269,875	14.4%	290,204	15.1%
76,872	71,231	71,857	76,197	4.1%	100,332	5.2%
-	-	-	7,109	0.4%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	6,948	0.4%
-	-	-	-	0.0%	4,085	0.2%
-	-	-	-	0.0%	-	0.0%
1,786,385	1,739,415	1,828,851	1,868,008	100.0%	1,918,575	100.0%
146,110	149,500	158,676	138,292	87.8%	152,203	94.6%
9,323	8,211	7,955	19,256	12.2%	1,960	1.2%
-	-	-	-	0.0%	6,708	4.2%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
155,433	157,711	166,631	157,548	100.0%	160,871	100.0%
1,941,818	1,897,126	1,995,482	2,025,556		2,079,446	

Scheduled Air Service Information
Tucson International Airport

Month of September

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of daily nonstop destinations	15	15	15	14	14	14	13	13	14	15
Number of nonstop flights per day										
Albuquerque	2	2	2	2	-	-	-	-	-	-
Atlanta	2	2	2	2	2	2	2	2	2	2
Austin	-	-	-	-	-	-	-	-	-	-
Charlotte	-	-	-	-	-	-	-	-	-	1
Chicago Midway	1	1	1	2	2	1	1	1	1	1
Chicago O'Hare	2	2	2	2	1	1	1	1	3	3
Dallas/Fort Worth	7	7	7	7	7	7	6	6	6	6
Denver	7	8	7	4	4	5	5	5	6	6
Houston Bush	4	4	4	4	4	4	3	3	2	3
Las Vegas	5	5	5	4	4	4	3	3	3	4
Los Angeles International	10	10	12	9	9	8	8	10	9	8
Minneapolis	1	1	1	-	-	-	-	-	-	-
Portland	-	-	-	-	-	1	-	-	-	-
Phoenix	10	9	9	8	9	9	10	9	7	6
Salt Lake City	3	4	3	3	3	3	3	2	2	3
San Diego	4	3	3	3	3	3	3	3	2	2
San Francisco	1	1	2	1	1	1	1	2	2	2
San Jose	-	-	-	-	-	-	-	-	1	1
Seattle	1	1	1	1	1	1	1	1	1	1
Total	60	60	61	52	50	50	47	48	47	49
Average scheduled seats per day	6,081	6,245	5,949	5,518	4,990	5,041	4,634	4,892	4,934	5,145

Source: Official Airline Guide.

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