COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

TUCSON AIRPORT AUTHORITY

TUCSON, ARIZONA

TUCSON
AIRPORT AUTHORITY
TUCSON INTERNATIONAL AIRPORT • RYAN AIRFIELD

2017

TUCSON AIRPORT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Prepared by the Finance Department
Years Ended September 30, 2017 and 2016

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

April 25, 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, 2017. 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 (RYN) as an essential government function under Arizona law.

The Authority's bylaws call for active membership of up to 85 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, 2017 there were seven elected and two ex-officio board members. Directors (excluding the President/CEO) 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 and a Chief Economic Development Officer, both reporting directly to the CEO. The organizational chart that follows this letter reflects the operational structure as of September 30, 2017.

The Authority's airport system consists of TUS and RYN. TUS is a commercial service airport serving the Tucson metropolitan area, southern Arizona and northern Sonora, Mexico. RYN 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.

Organization (continued)

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.

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.

RYN, 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 RYN 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 RYN'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

2017 Air Travel Industry Recap

2017 marked another year of strong 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 $17.6 billion in pre-tax profit in 2017 compared to $21.4 billion in 2016. By historical standards, 2017 industry profits were still high.

According to figures from the U.S. Department of Transportation Bureau of Transportation Statistics, total U.S. airline passengers in 2017 increased 3.2% from the previous year. Seat capacity expanded by a similar amount resulting in airline average load factor increasing slightly to 83.5% from the 83.4% in 2016. 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 2017.

Experiencing sustained profits and still concerned about the price of jet fuel, airlines continued with efforts 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. As smaller aircraft are replaced with larger ones, many smaller airports (where all or some portion of flights are currently conducted with small regional jets) 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.

2018 Air Travel Industry Outlook

The financial health and profitability of U.S. airlines is expected to continue in 2018 due to an expectation of strong 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 2018 is forecasted by the International Airline Transit Association to increase by 3.4%. 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 destinations from these airports viable.

Economic Conditions And Outlook (continued)

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 1,026,099 as of July 1, 2017, which represents an increase of 1.3% from July 1, 2016. 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 most airport users.

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 solar energy. 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 2018 to be 1.2%, an increase compared to 2017's forecast increase of 0.8%. The new jobs are expected to be primarily in the service sectors. Personal income in the Tucson MSA for 2018 is forecast to increase by 3.8%, improving from the 3.2% growth forecast for 2017. 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 "Overall, Arizona is well-positioned to continue to generate growth at a pace that exceeds the national average, but which also falls short of our own past history."

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.

Economic Conditions And Outlook (continued)

Air Service at Tucson International Airport (continued)

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 3,228,389 in FY 2016 to 3,413,451 in FY 2017, an increase of 5.7%. This followed a passenger increase of 1.5% in FY 2016 and a decrease of 1.8% in FY 2015. Total scheduled inbound/outbound seat capacity in FY 2017 increased 1.8% from FY 2016, after an increase of 3.1% in FY 2016 compared to FY 2015.

Twenty destination airports were served nonstop from TUS in FY 2017, which was an increase of four from FY 2016. The nonstop destinations served in FY 2017 were:

- Atlanta (ATL)
- Chicago O'Hare (ORD)
- Chicago Midway (MDW)
- Dallas/Ft. Worth (DFW)
- Denver (DEN)
- Hermosillo, Mexico (HMO)
- Houston Bush (IAH)
- Houston Hobby (HOU)
- Las Vegas (LAS)
- Los Angeles (LAX)
- Minneapolis (MSP)
- New York Kennedy (JFK)
- 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 2017 were Alaska's addition of daily service to San Jose, California in August 2017, American adding daily New York JFK service in October 2016 and Aeromar beginning four times weekly service to Hermosillo, Mexico, also in October 2016. Due to less than anticipated passenger demand, both the JFK and Hermosillo routes were cancelled later in the fiscal year. United made its previously seasonal daily service to ORD a year-round daily route in summer 2017. Southwest added weekly seasonal service to Oakland during winter 2016, but reduced frequency on the TUS-SAN route from three to two times daily in March 2017.

The FY 2018 outlook for additional scheduled airline service at TUS is positive. Already announced are seasonal service three times per week to Minneapolis starting December 2017 on Sun County Airlines that will add to Delta's existing service, three times per week year-round service to Austin, Texas on Via Air starting January 2018 and daily year-round service to Charlotte, North Carolina on American starting in February 2018. 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.

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.

Economic Conditions And Outlook (continued)

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 local Tucson Airport Authority (TAA) revenues.

FY 2017 Completed CIP Construction and Projects at TUS (greater than $75,000)

Underground Storage Tank Removal. Remove two underground storage tanks from the commercial aircraft fuel farm that had previously been used for general aviation AvGas storage and were no longer needed. Cost: $172,563. Contractor: Engineering & Environmental Consultants, Inc.

FY 2017 Completed CIP Construction and Projects at RYN (greater than $75,000)

Security Fence Upgrade - Phase 2. Installed new 6-foot chain link security fencing with three-strand barbed wire along the south side of Ryan Airfield. The project also includes grading, fencing, gates and appurtenances (approximately 2,100 linear feet). Cost: $878,627. Consultant: Dowl HKL. Contractor: Pavex Corporation.

Security Fence Upgrade - Phase 3. Construction of roadway sections with plunge basins and 6-foot chain link with three-strand barbed wire fencing at the three storm-water discharge locations along Ajo Highway that discharge onto the airfield. Cost: $868,296. Consultant: Dowl HKL. Contractor: Pavex Corporation.

Airport Pavement Management System – Taxiways. Rehabilitate existing pavement and markings at portions of Taxiways B4 and Taxiway D. Cost: $613,805. Consultant: Kimley-Horn Associates. Contractor: Cactus Asphalt.

FY 2017 CIP at TUS – Ongoing and New Projects (greater than $500,000)

Replace ARFF Vehicle. $950,000. Purchase replacement Aircraft Rescue & Fire Fighting (ARFF) vehicle. ARFF vehicle will be equipped with a 3,000-gallon water tank, 400-gallon foam tank, 500-pound dry chemical tank and a HRET (High Reach Extendable Turret).

Solar Photovoltaic Project – Phase 2. $7.6 million. 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.

Reconstruct Terminal Roadways. $691,000. Reconstruction of terminal roadways. Work includes re-striping.

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.

Major Initiatives (continued)

CAPITAL IMPROVEMENT PROGRAM (continued)

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.

CCTV Upgrades. $2.4 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.

LAN Redundancy. $2.3 million. Install Local Area Network (LAN) redundant coverage of cabling network for continuity of operations.

TWY G Extension. $2.3 million. Extend Taxiway G approximately 1,000 fee (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 2017 CIP at RYN – Ongoing and New Projects (greater than $500,000)

Reconstruction of Restaurant Apron. $1.8 million. Reconstruction of the aircraft apron asphalt pavement (approximately 24,586 square yards) adjacent to the restaurant and the airport administration building.

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.

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 2017 Completed MMP Projects at TUS (greater than $75,000)

TAA Administrative Office Relocation. Relocation of TAA administrative offices to the third level of the passenger terminal building, which will make the former administrative office buildings available for lease or other use. Cost: $4,556,327. Consultant: DWL Architects. Contractor: Hensel Phelps.

Roof Coating on Terminal Building Concourses A & B. Patch and recoat roofs on concourses A & B. Cost: $450,180. Contractor: Centimark Corporation.

Roof Coating on Terminal Building (Mezzanine Level). Recoat roof over the mezzanine level of the passenger terminal building. Cost: $329,360. Contractor: Progressive Roofing.

Runway Rubber Removal. Remove rubber from the main runway 11L/29R three times a year. Cost: $75,825. Contractor: Nilfisk Advance/Cyclone Tech.

Refurbish Jet Bridges (Gates A2, A4, B1, B5, B9). Replace flooring with marine grade plywood and replace carpet in each jet bridge. Cost: $195,395. Contractor: JBT AeroTech.

Replace AC Units in Customs Area. Replace four air conditioning (AC) units in the U.S. Customs and Border Protection space near the passenger terminal building. Cost: $93,700. Contractor: Pueblo Mechanical & Controls, Inc.

TSA Field Office Tenant Improvements. Renovations and tenant improvements on an existing vacant building for TSA field office lease. Work includes architectural, plumbing, mechanical and electrical work. Cost: $470,649. Contractor: Kittle Design & Construction.

Major Initiatives (continued)

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 2017 totaled $17.3 million. The FAA has awarded $114 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 2017 totaled $1.2 million. ADOT has awarded $18.9 million to the Authority during the past ten years.

The Authority also received grant funding from the Transportation Security Administration Advanced Surveillance Program (ASP) for Phase 2 of the CCTV/LAN Redundancy Project in the amount of $2 million.

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. The Authority currently has approval from the FAA to collect $100,461,860 under PFC application 97-01-C-01-TUS and $44,194,512 under PFC application 06-02-C-00-TUS, extending through October 1, 2021. As of September 30, 2017, the Authority had earned $119,099,424 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 100% of the debt service on subordinate lien revenue bonds issued in July 2001 for landside terminal expansion and land acquisitions completed in 2005, and approximately 76% of the debt service on subordinate lien revenue bonds issued in December 2006 for the Concourse Renovation Project completed in 2008.

Major Initiatives (continued)

LEASING, BUSINESS DEVELOPMENT AND CONCESSION ACTIVITY

As discussed earlier in this introduction letter, the Authority leases TUS from the City of Tucson under a long-term lease and operating agreement that previously had an expiration date of October 14, 2073. In December 2016, the Authority exercised a 25-year extension of the lease. With significant land holdings available for large scale commercial and industrial development, the extension greatly enhances the Authority's ability to attract private developers by offering lease terms adequate for amortization of their investment.

FY 2017 was an active year for leasing of non-airline related Authority-owned facilities. Some of the more significant activity included the following:

- Entered into a new long-term land lease in July 2017 with Raytheon Missile Systems for their corporate headquarters and R&D operation located at TUS. The new lease includes an additional 21 acres of land for a total of approximately 204 acres and consolidates nine previously existing leases into one. The initial term is 30 years and contains options for two 15-year extension terms. Additionally, the lease provides for over $100 million in new facility expansion that is expected to accommodate a minimum of 1,900 new jobs over the next five years.
- Aerovation, Inc., an aerospace engineering and development company with a number of leased properties at TUS, partnered with the Authority to complete $1.3 million in improvements to a 34,626 square foot hangar owned by the Authority and leased to Aerovation. Aerovation also leased the Authority's former administrative office building to further consolidate some of its Tucson operations. Upon completion of the hangar improvements, a new 10-year lease was executed for the hangar facility, with the office building lease covering five years. The hangar improvements and the additional office space help meet Aerovation's growing business needs.
- The Transportation Security Administration relocated from an off-airport site for certain of their staff and leased a previously vacant Authority-owned office building beginning in January 2017 for a five-year term with one five-year extension option.
- Richie's Café opened in April 2017 after its owner agreed to a five-year lease for a vacant authority-owned restaurant building at RYN.
- Tucson Fuel Facilities LLC, the airline consortium leasing and operating the TUS commercial airline fueling system, entered into an 18-year extension to its lease with the Authority that would have expired in 2020, and included an additional 10-year extension option. The new lease allows for extensive capital improvements to the fuel facilities and for construction of a new operations building.

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, to be effective March 1, 2017. 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. Master concession contracts were awarded in September 2016 to Creative Food Group for the Food and Beverage program, and to Hudson Group for the News and Gift program. Both operators submitted strong proposals and concepts that met the Authority's goals and are expected to substantially improve concession revenues upon full build-out of the new spaces. Temporary outlets operating for most of the second half of the fiscal year as construction on the new spaces continued. All new locations are expected to open by mid-2018.

Public parking rates were increased in all Authority-owned lots in February 2017 by an average of over 10% to address rising operating costs. This was the first significant increase in rates since 2004.

The Authority introduced an updated website in November 2016 in order to enhance the user experience by providing more and easier to find information and focusing on the information that users are most interested in. The Authority's local website design firm, Creative Slice, won an award from a Tucson advertising trade organization for the design.

Major Initiatives (continued)

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 RYN). The result is coverage of all Authority operating and capital improvement costs on a break-even basis.

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 extensions, the agreement's current expiration date is September 30, 2018. 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.

Financial Policies and Practices (continued)

BUDGETARY CONTROLS (continued)

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 — 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.

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 RYN was completed in 2011. The plan is available for viewing on the Authority's website, flytucson.com.

Financial Policies and Practices (continued)

LONG-TERM FINANCIAL PLANNING (continued)

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 2017 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 2017 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, Sunnyside School and Arizona Greyhound Rescue. In addition to the donated items, these events raised nearly $7,000 in cash for the various charities. AECE also organizes quarterly Red Cross blood drives at TUS.

ARTS AND CULTURE

With a commitment from the Tucson Airport Authority Board of Directors going back to 1987, the Arts & Culture Program continues to be popular with airport visitors. Tasked with a mission to enhance the traveling public's experience by creating a memorable environment that promotes southern Arizona's unique artistic and cultural heritage, the program partners with local artists as well as civic and nonprofit organizations.

More than 100 pieces of art created by artists living in southern Arizona and northern Mexico make up the permanent collection. Changing fine arts and educational exhibits fill-out the program that also includes a performing arts component with local talent taking part in weekly gigs in the Welcome Lounges on the baggage level of the terminal.

The five gallery spaces throughout the terminal hosted 20 changing exhibits in 2017.

Eight group exhibits representing 28 youth from Parks In Focus, 40 art students from Pima Community College, and 74 artists from the Tucson community, including six members from the Sonoran Print Group, 24 members of Tucson Artists Group; six engineers and astronauts from the International Association of Astronomical Artists, 19 members of the Tucson Arts Guild, along with Barbara Brandel, Shelly Black, Wolfe Bowart, Andrea Edmundson, Chrysanthe Kapuranis, Anna Kline, Victor Navarro, Christina Plange, Karina Puga, Carly Quinn, and Samantha Schwann.

The airport also curated five solo exhibitions with photographs from Bill Baker, drawings from Laurie Kaye and Curt Kiwak, and paintings from Jeff Ferst and Diane Dale.

Financial Policies and Practices (continued)

ARTS AND CULTURE (continued)

Popular exhibits were Tim Mossman and Hank Tusinski's duo exhibition Fanaux, a series of paintings and mixed media abstracts and the Tucson Art Guild's Under the Influence, a series of art quilts modeled after each quilter's favorite famous painting.

In addition to fine art exhibitions, the airport hosted educational exhibits and displays from Pima Community College, Tucson Jazz Society and the Tucson Rodeo Museum.

The airport also continues to feature the talent of its very own employees in the ARTport with colored pencil drawings from Mary-Katherine Stillwell and Tom Burton's Leadbellies comic strip. A new wall of empty frames allows employees to freely change out their artwork on a very frequent basis.

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, 2016. This was the 23rd 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

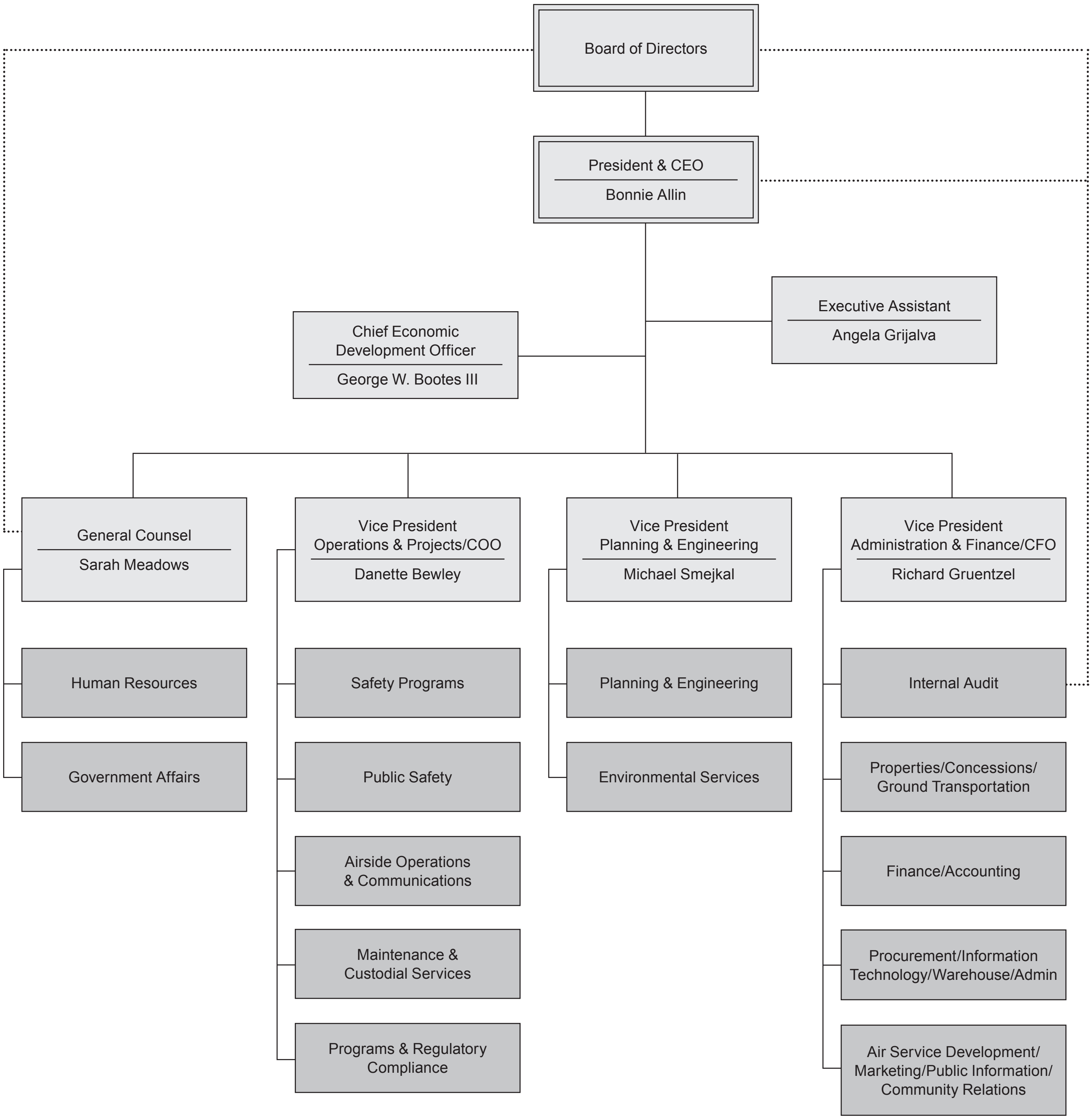
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO

Organizational Structure



Airlines and Tenants As Of September 30, 2017

PASSENGER AIRLINES

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

CARGO AIRLINES

Ameriflight
Federal Express

CAR RENTALS

Alamo
Avis
Budget
Dollar
Enterprise
Hertz
National

RYAN AIRFIELD

Aero Smith
Air Center West
Aircrafters
Air Ventures Ltd.
Alpha Air, Inc.
B.B.S. Investment
Cherokee Cabañas
Corsair Condos
Hangar 31 Aircraft Services, LLC
Jim's Aircraft
Kelly's Aviation
Mobile Aire Hangars
Pima County
Richie's Cafe
Tucson Upholstery
Tyconic, Inc.
United Indian Missions
Velocity Air, Inc.

TUCSON INTERNATIONAL AIRPORT

AT&T
AAA Airport Cabs, LLC
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
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
Discount Cab
Double Eagle Aviation Flight School
Federal Aviation Administration
Flash Cab, LLC
FlightSafety International, Inc.
General Airframe Support
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
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
Spirit Aviation
Stagecoach Express
Suarez International, Inc.
Surplus World
Transportation Security Administration
Tucson Aviation, LLC
Tucson Fuel Facilities, LLC
Tucson Jet Center
Tucson Police Department
University of Arizona Environmental Research Lab
Universal Avionics
U.S. Customs & Border Protection
U.S. REIF Tucson Commerce Center
Velocity Air
Verizon Wireless
Victor II, Ltd.
Wright Flight, Inc.
WiMacTel
Yellow Cab

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FINANCIAL SECTION

Independent Auditors' Report

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, 2017 and 2016, 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, issued by the Comptroller General of the United States. 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.* 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, 2017 and 2016, 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.

Change in accounting principles

As discussed in Note 2 to the financial statements, in 2016 Tucson Airport Authority, Inc. adopted new accounting guidance: Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application;* GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68;* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;* and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.* Our opinion is not modified with respect to this matter.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 27, 2018 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.

Required supplementary information

United States generally accepted accounting standards require that the management's discussion and analysis and pension and other post-employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with United States generally accepted auditing standards, 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 an opinion on the financial statements that collectively comprise Tucson Airport Authority, Inc.'s basic financial statements. The introductory and statistical sections listed in the table of contents 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.

HBL CPAs, P.C.

HBL CPAs, P.C.

March 27, 2018

Management's Discussion and Analysis

September 30, 2017

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, 2017 (FY 2017). Information for the two preceding fiscal years ended September 30, 2016 and 2015 (FY 2016 and FY 2015, 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 2017 increased at the Tucson International Airport (TUS) for the second year in a row. Total passengers increased by 5.7% for FY 2017, which followed an increase of 1.5% for FY 2016 and a decrease of 1.8% for FY 2015. Average nonstop departures have remained relatively flat at the end of each of the last three years, which were 47, 48 and 47 for FY 2017, FY 2016 and FY 2015, 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 2017 was a 1.8% increase over FY 2016, which followed a 3.0% increase in FY 2016 compared to FY 2015.

Total aircraft operations (take-offs and landings) at TUS decreased 4.8% in FY 2017 after decreasing 1.3% in FY 2016 and increasing 1.4% in FY 2015. Total FY 2017 operations comprised 55,741 general aviation operations, 49,392 air carrier and air taxi (passenger airline, cargo airline, and charter) operations and 27,734 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 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%. The largest change in operations for FY 2016 was in military and general aviation operations, which each decreased by 3.8% and in air carrier and air taxi operations, which increased 3.4%.

Landed weight increased by 1.5% in FY 2017 from FY 2016 to 2,025,555 one thousand pound units, after increasing by 5.2% in FY 2016 and decreasing 2.3% in FY 2015. 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 decreased by 6.7% in FY 2017 from FY 2016, following a decrease of 6.6% in FY 2016 and an increase of 2.1% in FY 2015. 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, 2017 and 2016, compared to six for 2015. The decrease in FY 2016 was a result of the merger of American Airlines and US Airways. American Airlines (including US Airways passengers for 2015) and Southwest Airlines have dominated in both passenger activity and landed weight over the three reporting periods. These two carriers accounted for 67.6% of passenger traffic in FY 2017, 68.7% in FY 2016 and 71.5% in FY 2015.

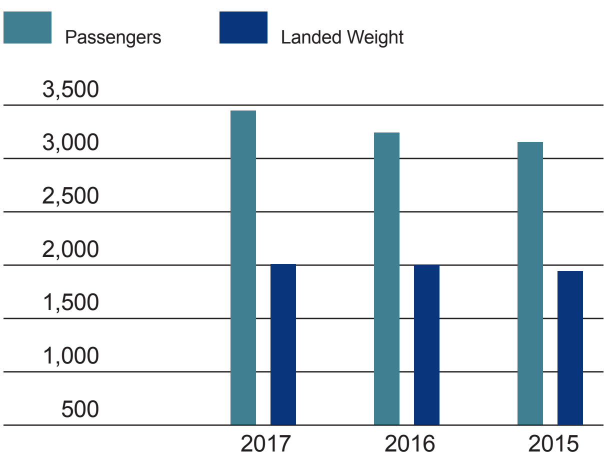
Management's Discussion and Analysis (continued)

September 30, 2017

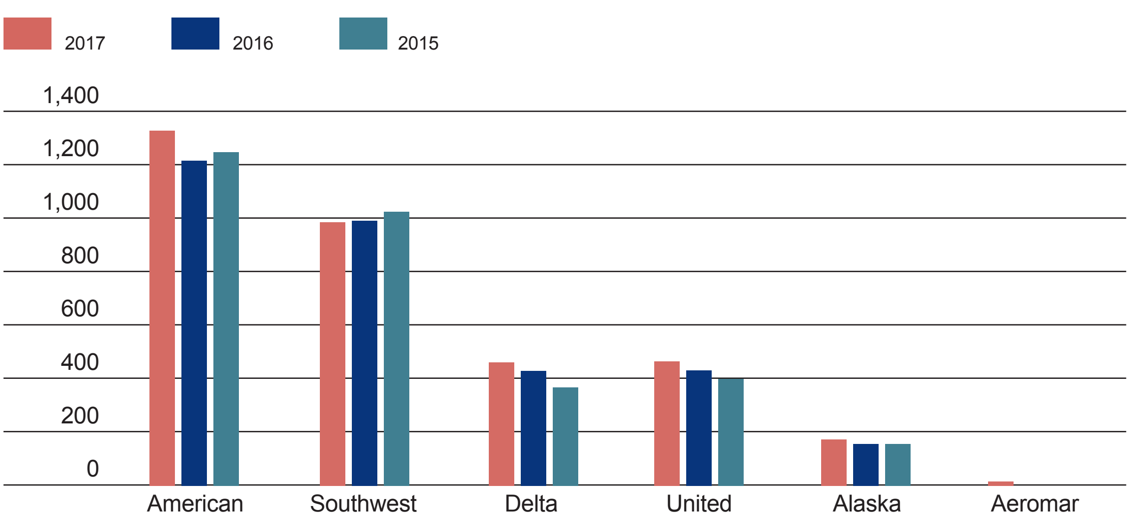
AIRPORT ACTIVITIES & HIGHLIGHTS (continued)

Activities & Highlights	2017	2016	2015
Total passengers	3,413,451	3,228,389	3,181,901
% increase/decrease(-)	5.7%	1.5%	-1.8%
Average daily seat capacity	5,543	5,426	5,270
% increase/decrease(-)	2.2 %	3.0%	-2.8%
Aircraft operations	132,867	139,555	141,422
% increase/decrease(-)	-4.8%	-1.3%	1.4%
Landed weight (1,000 lb. Units)	2,025,555	1,995,482	1,897,126
% increase/decrease(-)	1.5%	5.2%	-2.3%
Mail & express cargo (pounds)	57,718,854	61,837,690	66,184,562
% increase/decrease(-)	-6.7%	-6.6%	2.1%

Total Passengers and Landed Weight (Thousands)



Passengers by Airline (Thousands)

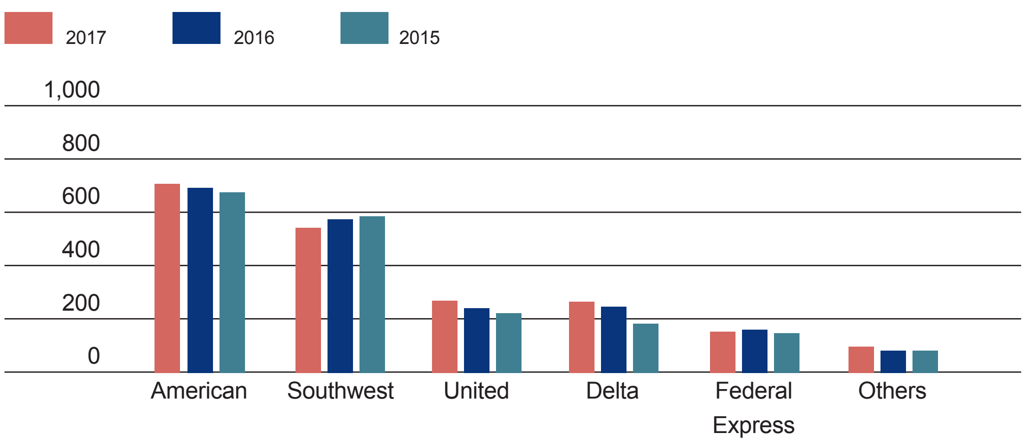


Management's Discussion and Analysis (continued)

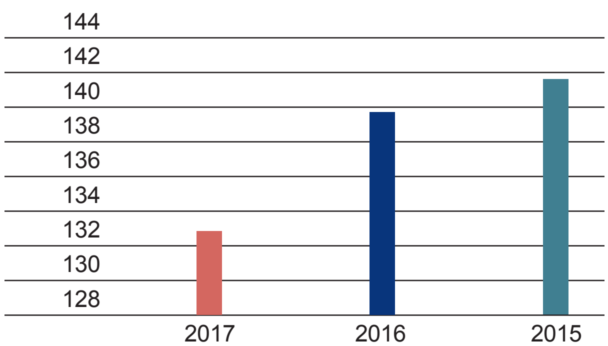
September 30, 2017

AIRPORT ACTIVITIES & HIGHLIGHTS (continued)

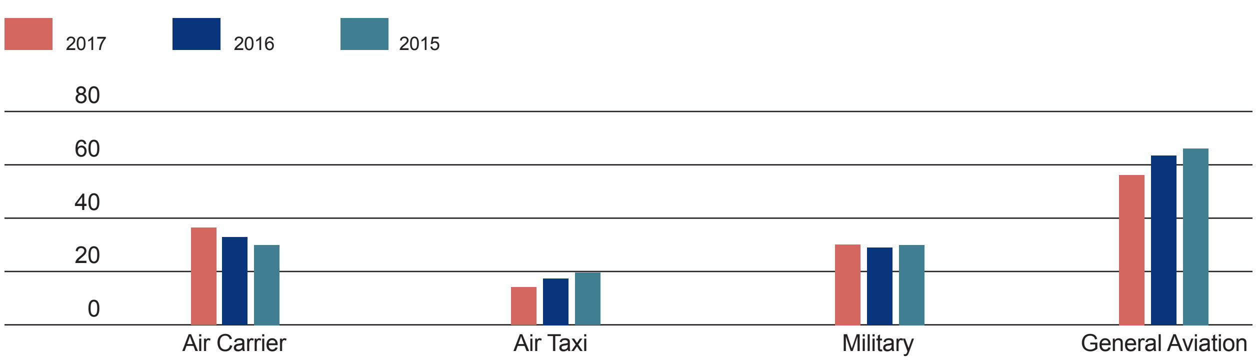
Landed Weight by Airline (Thousands)



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 2017 by $367.7 million, compared to $354.3 million and $342.6 million at the end of FY 2016 and FY 2015, respectively. Unrestricted net position for fiscal years 2017, 2016 and 2015 was $60.8 million, $64.2 million, and $58.5 million, respectively. The Authority experienced increases in net position of $13.4 million and $11.7 million for FY 2017 and FY 2016, respectively, compared to the previous years. The FY 2017 increase was largely attributed to the $12.8 million in capital contributions. The FY 2016 increase was a result of $3.8 million of income before capital contributions and capital contributions of $7.8 million.

The Authority's total noncurrent liabilities decreased by $3.3 million in FY 2017 over FY 2016 and decreased by $2.1 million in FY 2016 over FY 2015. 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	2017	2016	2015
Operating revenues	$ 42,908,754	$ 42,120,914	$ 41,986,785
Operating expenses	28,536,467	28,249,055	28,389,788
Operating income before depreciation & amortization	14,372,287	13,871,859	13,596,997
Depreciation & amortization	17,404,890	14,534,836	16,577,216
Operating (loss)	(3,032,603)	(662,977)	(2,980,219)
Non-operating revenues	7,368,228	7,557,080	7,970,529
Non-operating expenses	(3,815,570)	(3,000,501)	(3,089,268)
Income (loss) before capital contributions	520,055	3,893,602	1,901,042
Capital contributions	12,881,611	7,812,027	15,074,095
Increase in net position	13,401,666	11,705,629	16,975,137
Net position, beginning of year	354,335,515	342,629,886	325,654,749
Net position, end of year	$ 367,737,181	$ 354,335,515	$ 342,629,886

Total operating revenues increased $.8 million (1.9%) in FY 2017 over FY 2016 and increased $.1 million (0.3%) in FY 2016 over FY 2015. Increases in operating revenues in FY 2017 were primarily related to increases in concession revenues offset by a decrease in space rentals. Increases in operating revenues in FY 2016 were primarily related to increases in concession revenues offset by a decrease in airport services revenue.

Total operating expenses in FY 2017 increased by $.3 million (1.0%) over FY 2016, primarily due to an increase in personnel expense. Total operating expenses in FY 2016 decreased by $.1 million (0.5%) over FY 2015, primarily due to a reduction in materials and supplies expense.

Non-operating revenues in FY 2017 decreased 2.5% compared to FY 2016 and FY 2016 non-operating revenues decreased 5.2% compared to FY 2015. This was mainly due to fluctuations in passenger facility charge revenue, income on investments and gains on disposition of fixed assets. Non-operating expenses increased in FY 2017 by 27.2 % and decreased by 2.9% for FY 2016, compared to the prior years. The FY 2017 increase was due primarily to an increase in environmental remediation expense of $1.0 million. The FY 2016 decrease was due primarily to a reduction in interest expense of $.1 million.

Capital contributions in FY 2017 increased by 64.9% from FY 2016 and FY 2016 capital contributions decreased by 48.2% over FY 2015. 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	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	3,973,675	5,837,892	(1,864,217)	-31.9%
Total assets and deferred outflows of resources	$ 490,919,744	$ 482,747,925	$ 8,171,819	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	107,608,645	110,939,372	(3,330,727)	-3.0%
Total liabilities	120,995,121	124,812,702	(3,817,581)	-3.1%
Deferred inflows of resources	2,187,442	3,599,708	(1,412,266)	-39.2%
Total liabilities and deferred inflows of resources	123,182,563	128,412,410	(5,229,847)	-42.3%
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	60,791,390	64,194,536	(3,403,146)	-5.3%
Net position	$ 367,737,181	$ 354,335,515	$ 13,401,666	3.8%

FINANCIAL POSITION (continued)

Summary of Net Position	2016	2015	Increase (decrease)	% Increase decrease (-)
Assets				
Current (unrestricted)	$ 133,877,834	$ 133,439,870	$ 437,964	0.3%
Current (restricted)	39,897,298	37,853,180	2,044,117	5.4%
Net capital assets	302,980,384	301,385,318	1,595,066	0.5%
Other noncurrent assets	154,517	53,970	100,547	186.3%
Total assets	476,910,033	472,732,338	4,177,694	0.9%
Deferred outflows of resources	5,837,892	3,753,950	2,083,942	55.5%
Total assets and deferred outflows of resources	$ 482,747,925	$ 476,486,289	$ 6,261,636	1.3%
Liabilities				
Current (payable from unrestricted assets)	$ 12,318,112	$ 16,825,035	$ (4,506,923)	-26.8%
Current (payable from restricted assets)	1,555,218	1,142,810	412,408	36.1%
Noncurrent	110,939,372	113,038,313	(2,098,941)	-1.9%
Total liabilities	124,812,702	131,006,158	(6,193,456)	-4.7%
Deferred inflows of resources	3,599,708	2,850,244	749,464	26.3%
Total liabilities and deferred inflows of resources	128,412,410	133,856,403	(5,443,992)	-4.1%
Net position				
Net investment in capital assets	251,798,899	247,391,637	4,407,262	1.8%
Restricted	38,342,080	36,710,371	1,631,709	4.4%
Unrestricted	64,194,536	58,527,878	5,666,658	9.7%
Net position	$ 354,335,515	$ 342,629,886	$ 11,705,629	3.4%

FINANCIAL POSITION (continued)

Current unrestricted assets decreased in FY 2017 over FY 2016 by $3.5 million and increased in FY 2016 over FY 2015 by $.4 million. The FY 2017 decrease was due mainly to decreases in cash and investments of $2.2 million and accounts and grants receivable of $1.4 million. The FY 2016 increase was primarily a result of an increase in accounts and grants receivable of $2.4 million offset by a decrease in cash and investments of $2.5 million. Current restricted assets decreased by $.9 million in FY 2017 compared to FY 2016 and increased by $2.0 million in FY 2016 compared to FY 2015. Both of these variances were favorably impacted by increases in the Passenger Facility Charge (PFC) Fund as cash accumulates for future debt service on PFC-backed bonds, offset by reductions in bond debt service funds for retired bonds and decreases in assets restricted for environmental remediation liabilities. Net capital assets increased by $14.3 million in FY 2017 over FY 2016 and increased by $1.6 million in FY 2016 over FY 2015, both years being impacted by projects in the Authority's capital improvement program.

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. Current liabilities payable from unrestricted assets decreased by $4.5 million in FY 2016 compared to FY 2015 due primarily to decreases in accrued expenses, construction contracts payable and environmental remediation payable, partially offset by an increase in the current portion of bonds payable. Current liabilities payable from restricted assets increased by $.4 million in FY 2016 compared to FY 2015 due primarily to an increase in environmental remediation payable. Total noncurrent liabilities decreased by $3.3 million in FY 2017 compared to FY 2016 and decreased by $2.1 million in FY 2016 compared to FY 2015. The FY 2017 and FY 2016 decreases were primarily due to normal debt service.

The largest portion of the Authority's net position, 73.2% for FY 2017, 71.2% for FY 2016, and 72.2% for FY 2015, 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, 10.3% for FY 2017, 10.8% for FY 2016 and 10.7% for FY 2015, 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 $60.8 million for FY 2017, $64.2 million for FY 2016 and $58.5 million for FY 2015 may be used for any lawful purpose of the Authority.

REVENUES

In FY 2017, total revenues of $63.2 million were greater than the prior fiscal year by 9.9%, whereas FY 2016 revenues of $57.5 million were less than FY 2015 by 11.6%.

Operating revenues increased in FY 2017 over FY 2016 by $.8 million (1.9%). Revenue category changes included increases in land rent $.2 million, concession revenue $.9 million, airport services $.2 million and other operating revenues $.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 rent. 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.

Management's Discussion and Analysis (continued)

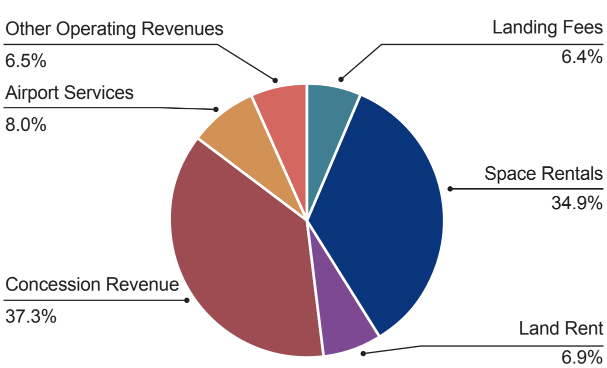
September 30, 2017

REVENUES (continued)

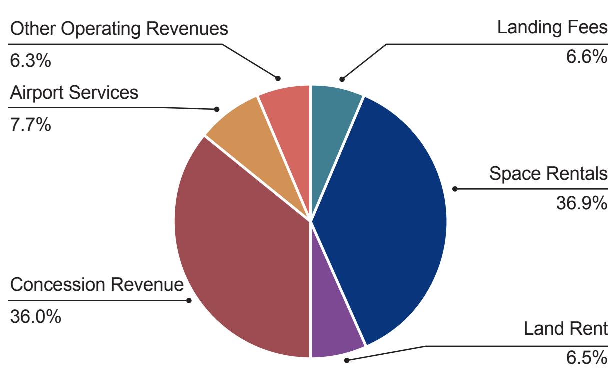
Revenues by Major Source	2017	2016	Increase (decrease)	% Increase decrease (-)
Landing fees	$ 2,761,273	$ 2,793,333	$ (32,060)	-1.1%
Space rentals	14,983,380	15,563,025	(579,645)	-3.7%
Land rent	2,963,840	2,754,715	209,125	7.6%
Concession revenue	16,014,764	15,146,036	868,728	5.7%
Airport services	3,451,629	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 non-operating 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



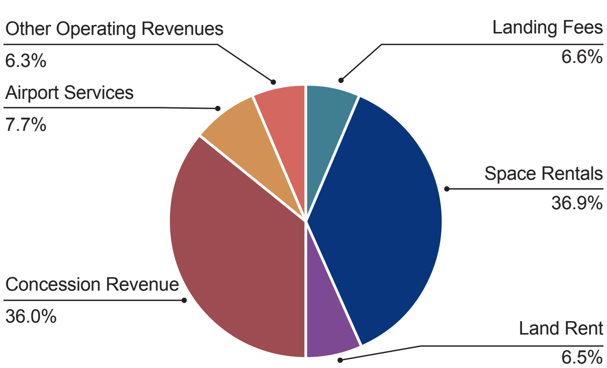
Operating revenues increased in FY 2016 over FY 2015 by $.1 million (0.3%). Revenue category changes included a $.2 million increase in landing fees, an increase of $.7 million in concession revenues and a decrease in airport services of $.5 million and a decrease in other operating revenues of $.2 million. Other categories remained relatively flat from the previous year. The increase in landing fees was associated with higher passenger levels. This increased passenger activity also resulted in higher rental car and parking revenues. The decrease in airport services was primarily associated with decreased capital projects, which resulted in lower recoveries of administrative costs.

REVENUES (continued)

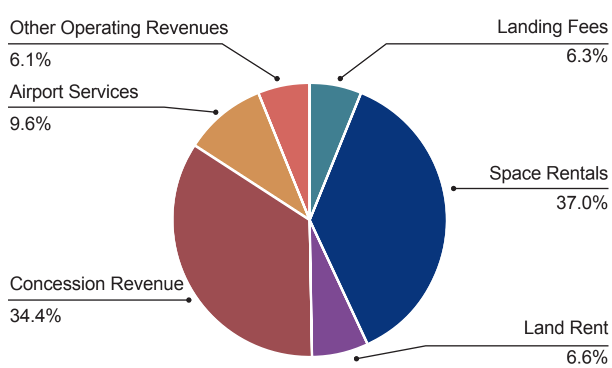
Revenues by Major Source	2016	2015	Increase (decrease)	% Increase decrease (-)
Landing fees	$ 2,793,333	$ 2,638,511	$ 154,822	5.9%
Space rentals	15,563,025	15,516,879	46,146	0.3%
Land rent	2,754,715	2,767,584	(12,869)	-0.5%
Concession revenue	15,146,036	14,458,462	687,574	4.8%
Airport services	3,239,181	3,787,935	(548,754)	-14.5%
Other operating revenues	2,624,624	2,817,414	(192,790)	-6.8%
Total operating revenues	42,120,914	41,986,785	134,129	0.3%
Interest income	1,533,109	1,383,045	150,064	10.9%
Net increase (decrease) in fair value of investments	(160,483)	407,702	(568,185)	-139.4%
Passenger facility charges	6,071,068	6,010,676	60,392	1.0%
Gain on disposition of fixed assets	113,386	169,106	(55,720)	-32.9%
Total non-operating revenues	7,557,080	7,970,529	(413,449)	-5.2%
Capital contributions	7,812,027	15,074,095	(7,262,068)	-48.2%
Total revenues	$ 57,490,021	$ 65,031,409	$ 7,541,388)	-11.6%

The following charts show the major sources and the percentage of operating revenues for fiscal years 2016 and 2015:

Operating Revenues FY 2016



Operating Revenues FY 2015



NON-OPERATING REVENUES

Non-operating revenues consist mainly of income on investments and passenger facility charges (PFCs). PFC revenue fluctuates based on passenger levels. FY 2017 non-operating 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. FY 2016 non-operating revenues decreased $.4 million (5.2%) over FY 2016 due mainly to lower investment income.

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.

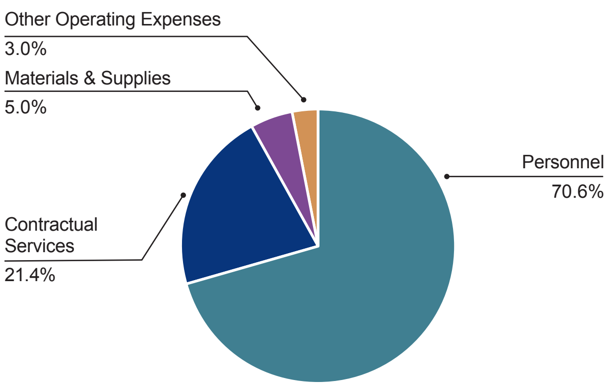
EXPENSES

Total expenses for FY 2017 increased 8.7% 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. Non-operating 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.

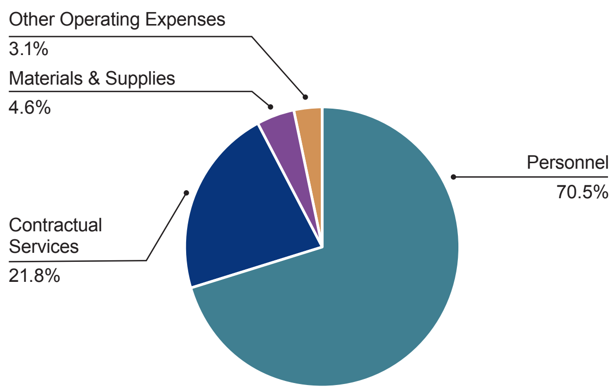
Expenses by Major Category	2017	2016	Increase (decrease)	% Increase decrease (-)
Personnel	$ 20,139,797	$ 19,887,460	$ 252,337	1.3%
Contractual services	6,120,706	6,165,827	(45,121)	-0.7%
Materials and supplies	1,422,945	1,311,559	111,386	8.5%
Other operating expenses	853,019	884,209	(31,190)	-3.5%
Total operating expenses	28,536,467	28,249,055	287,412	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 non-operating expenses	752	17,250	(16,498)	100.0%
Total non-operating expenses	3,815,570	3,000,501	815,069	27.2%
Total expenses	$ 49,756,927	$ 45,784,392	$ 3,972,535	8.7%

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



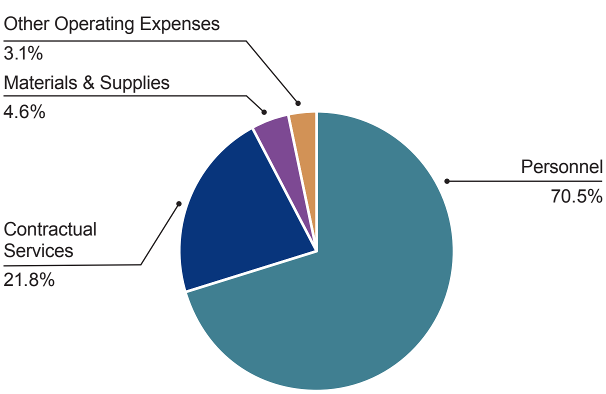
EXPENSES (continued)

Total expenses for FY 2016 decreased 4.7% from FY 2015 due primarily to lower depreciation and amortization of $2.0 million (12.3%). Operating expenses decreased $.1 million (0.5%). The decrease in operating expenses was a result of lower FY 2016 expenses in all operating expense categories except for contractual services. The most significant changes included lower fuel costs and other operating supplies offset by an increase in project professional fees. Non-operating expenses were $.1 million (2.9%) lower in FY 2016 than FY 2015. This was caused mainly by a decrease in interest expense of $.1 million.

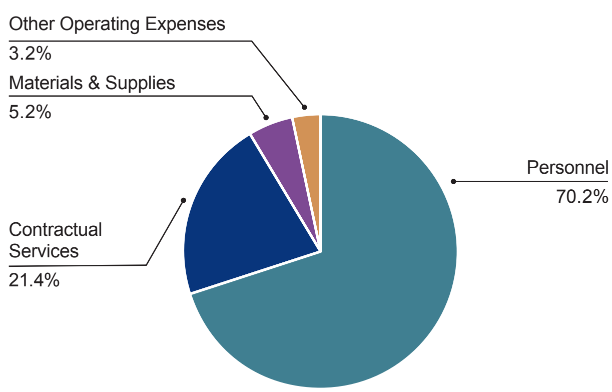
Expenses by Major Category	2016	2015	Increase (decrease)	% Increase decrease (-)
Personnel	$ 19,887,460	$ 19,945,414	$ (57,954)	-0.3%
Contractual services	6,165,827	6,064,007	101,820	1.7%
Materials & supplies	1,311,559	1,465,876	(154,317)	-10.5%
Other operating expenses	884,209	914,491	(30,282)	-3.3%
Total operating expenses	28,249,055	28,389,788	(140,733)	-0.5%
Depreciation and amortization	14,534,836	16,577,216	(2,042,380)	-12.3%
Interest expense	2,542,271	2,667,488	(125,217)	-4.7%
Environmental expenses	440,980	421,500	19,480	4.6%
Other non-operating expenses	17,250	280	16,970	N/A
Total non-operating expenses	3,000,501	3,089,268	(88,767)	-2.9%
Total expenses	$ 45,784,392	$ 48,056,272	$ (2,271,880)	-4.7%

The following charts show the major operating expense categories for the Authority for FY 2016 and FY 2015:

Operating Expenses FY 2016



Operating Expenses FY 2015



CAPITAL ASSETS

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%

Net capital assets increased $1.6 million (0.5%) in FY 2016 over FY 2015. 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 phase II of the terminal apron reconstruction.

Net Capital Assets	2016	2015	Increase (decrease)	% Increase decrease(-)
Land	$ 52,748,136	$ 52,601,945	$ 146,191	0.3%
Air avigation easement	29,990,090	30,136,281	(146,191)	-0.5%
Land improvements	190,219,756	140,288,558	49,931,198	35.6%
Buildings and improvements	225,759,166	223,496,616	2,262,550	1.0%
Utilities	5,951,108	5,951,108	-	0.0%
Computer software	5,830,332	5,784,647	45,685	0.8%
Furniture, fixtures, machinery and equipment	41,788,390	36,737,086	5,051,304	13.7%
Artwork	455,630	455,630	-	0.0%
Construction in progress	16,414,922	57,953,136	(41,538,214)	-71.7%
Gross capital assets	569,157,530	553,405,007	15,752,523	2.8%
Less accumulated depreciation	266,177,146	252,019,689	14,157,457	5.6%
Net capital assets	$ 302,980,384	$ 301,385,318	$ 1,595,066	0.5%

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

DEBT ACTIVITY

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%

At the end of FY 2016, the Authority had total long-term debt outstanding of $50.6 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 $2.7 million (5.1%) from FY 2015 is a result of normal debt service activity.

Outstanding Long-term Debt	2016	2015	Increase (decrease)	% Increase decrease(-)
Authority revenue bonds:				
Series 2001 subordinate lien	$ 29,100,000	$ 30,370,000	$ (1,270,000)	-4.2%
Series 2006 subordinate lien	21,535,000	22,975,000	(1,440,000)	-6.3%
Total long-term debt	$ 50,635,000	$ 53,345,000	$ (2,710,000)	-5.1%

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 in the amount of 1.10 times annual principal and interest on subordinate lien bond debt. 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 2017 net airport system revenues available for subordinate lien bond debt service was 3.72 times subordinate lien debt service, compared to 3.71 and 4.32 for FY 2016 and FY 2015, respectively. Variances in the debt service coverage year-over-year are primarily attributable to normal debt service and changes in net airport system revenue.

FY 2016 subordinate lien coverage decreased from FY 2015 primarily as a consequence of a $4.0 million decrease in the airline reserve fund carryover, as defined in the airport use and lease agreement.

Bond Resolution Senior and Subordinate Lien Debt Service Coverage	2017	2016	2015	2014	2013
Subordinate lien bond debt service coverage	3.72	3.71	4.32	2.84	3.33
Required minimum	1.10	1.10	1.10	1.10	1.10
Total senior and subordinate lien bond debt service coverage	3.72	3.71	4.32	2.84	2.46

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		2017	2016	2015
Ticketing	per sq. ft.	$ 80.91	$ 78.81	$ 78.81
Hold room	per gate	117,983.30	114,926.26	114,926.26
Baggage claim	per sq. ft.	76.73	74.74	74.74
Baggage makeup	per sq. ft.	26.96	26.26	26.26
Landing fee	per 1,000 lbs.	1.29	1.30	1.31

The five domestic passenger airlines that provided TUS with scheduled service in FY 2017 have executed signatory use agreement extensions through September 30, 2018.

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 2017 over FY 2016 by $.52 per enplanement and decreased in FY 2016 over FY 2015 by $.19 per enplanement. These decreases were mainly a result of the increase in passenger enplanements of 2.5% and 1.7% for FY 2017 and FY 2016, respectively.

Airline Cost Per Enplanement	2017	2016	2015
Passenger airline revenues	$ 13,564,369	$ 13,670,150	$ 13,742,670
Enplaned passengers	1,711,518	1,618,304	1,590,321
Cost per enplanement	$ 7.93	$ 8.45	$ 8.64

Statements of Net Position

September 30, 2017 and 2016

ASSETS		2017		2016
Current assets:				
Unrestricted assets:				
Cash and cash equivalents - Note 3	$	14,308,803	$	9,168,326
Investments - Note 3		110,236,047		117,613,225
Accounts receivable, net of allowance for doubtful accounts of $625,648 for 2017 and $468,203 for 2016		2,184,990		1,235,257
Accrued interest receivable		355,917		256,526
Grants receivable		2,443,950		4,787,974
Notes receivable		13,936		12,900
Inventories - Note 4		311,798		344,457
Prepaid expenses and other assets		472,447		459,169
Total unrestricted current assets		130,327,888		133,877,834
Restricted assets:				
Cash and cash equivalents - Note 3		2,278,079		1,980,966
Investments - Note 3		35,543,239		36,879,439
Accounts receivable		950,322		841,932
Accrued interest receivable		88,659		62,152
Prepaid insurance		115,461		132,809
Total restricted current assets		38,975,760		39,897,298
Total current assets		169,303,648		173,775,132
Noncurrent assets:				
Unrestricted assets:				
Accounts receivable		314,357		113,447
Notes receivable, net of current portion		27,134		41,070
Capital assets - Notes 5 and 7				
Not depreciated		123,188,418		99,608,778
Depreciated, net		194,112,512		203,371,606
Net capital assets		317,300,930		302,980,384
Total unrestricted noncurrent assets		317,642,421		303,134,901
Total noncurrent assets		317,642,421		303,134,901
Total assets		486,946,069		476,910,033
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions - Note 8		3,973,675		5,837,892
Total assets and deferred outflows of resources	$	490,919,744	$	482,747,925

See Accompanying Notes.

Statements of Net Position (continued)

September 30, 2017 and 2016

LIABILITIES	2017	2016
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 1,696,635	$ 1,074,822
Accrued expenses	1,280,238	1,208,621
Unearned revenues - Note 6	1,226,001	1,096,376
Construction contracts payable	2,108,306	3,838,891
Current portion of environmental remediation payable - Note 14	2,990,995	2,249,402
Current portion of bonds payable - Note 7:		
Airport Subordinate Lien Revenue Bonds, Series 2001	1,400,000	1,330,000
Airport Subordinate Lien Revenue Bonds, Series 2006	1,590,000	1,520,000
Total payable from unrestricted assets	12,292,175	12,318,112
Payable from restricted assets:		
Accrued interest payable:		
Airport Subordinate Lien Revenue Bonds, Series 2001	488,195	510,363
Airport Subordinate Lien Revenue Bonds, Series 2006	327,408	352,742
	815,603	863,105
Current portion of environmental remediation payable - Note 14	278,698	692,113
Total payable from restricted assets	1,094,301	1,555,218
Total current liabilities	13,386,476	13,873,330
Noncurrent liabilities:		
Payable from unrestricted assets:		
Bonds payable, net of current portion - Note 7:		
Airport Subordinate Lien Revenue Bonds, Series 2001	26,304,076	27,695,567
Airport Subordinate Lien Revenue Bonds, Series 2006	18,942,522	20,635,920
Net pension liability - Note 8	42,428,230	42,088,368
Environmental remediation payable, net of current portion - Note 14	19,933,817	20,519,517
Total payable from unrestricted assets	107,608,645	110,939,972
Total noncurrent liabilities	107,608,645	110,939,372
Total liabilities	$ 120,995,121	$ 124,812,702

Commitments and contingencies - Notes 13 and 14

See Accompanying Notes.

Statements of Net Position (continued)

September 30, 2017 and 2016

DEFERRED INFLOWS OF RESOURCES	2017	2016
Deferred inflows from pensions - Note 8	$ 2,187,442	$ 3,599,708
NET POSITION		
Net investment in capital assets	$ 269,064,332	$ 251,798,899
Restricted for:		
Debt service	4,485,354	4,421,032
Capital projects	33,396,105	33,921,048
Total restricted net position	37,881,459	38,342,080
Unrestricted	60,791,390	64,194,536
Total net position	$ 367,737,181	$ 354,335,515

See Accompanying Notes.

Statements of Revenues, Expenses and Changes in Net Position

Years ended September 30, 2017 and 2016

	2017	2016
Operating revenues:		
Landing fees	$ 2,761,273	$ 2,793,333
Space rentals	14,983,380	15,563,025
Land rent	2,963,840	2,754,715
Concession revenue	16,014,764	15,146,036
Airport services	3,451,629	3,239,181
Other operating revenues	2,733,868	2,624,624
Total operating revenues	42,908,754	42,120,914
Operating expenses:		
Personnel expenses	20,139,797	19,887,460
Contractual services	6,120,706	6,165,827
Materials and supplies	1,422,945	1,311,559
Other operating expenses	853,019	884,209
Total operating expenses	28,536,467	28,249,055
Depreciation and amortization	17,404,890	14,534,836
Operating (loss)	(3,032,603)	(662,977)
Nonoperating revenues (expenses):		
Interest income	1,757,178	1,533,109
Net increase (decrease) in fair value of investments	(876,150)	(160,483)
Passenger facility charges - Note 11	6,477,205	6,071,068
Interest expense and fiscal charges	(2,408,925)	(2,542,271)
Gain on disposition of capital assets	9,995	113,386
Environmental remediation expenses - Note 14	(1,405,893)	(440,980)
Other nonoperating expense	(752)	(17,250)
	3,552,658	4,556,579
Income before capital contributions	520,055	3,893,602
Capital contributions:		
Federal	11,771,900	5,024,039
State	1,109,711	2,787,988
	12,881,611	7,812,027
Increase in net position	13,401,666	11,705,629
Total net position, beginning of year	354,335,515	342,629,886
Total net position, end of year	$ 367,737,181	$ 354,335,515

See Accompanying Notes.

Statements of Cash Flows

Years ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts from airlines and tenants	$ 41,499,351	$ 41,350,716
Federal and state grants-in-aid	346,825	473,483
Payments to suppliers	(7,736,303)	(8,116,738)
Payments for personnel services	(19,295,543)	(19,687,903)
Payments for environmental remediation	(1,664,526)	(2,192,430)
Net cash provided by operating activities	13,149,804	11,827,128
Cash flows from capital and related financing activities:		
Federal and state contributed capital, grants-in-aid	15,267,195	4,849,483
Acquisition of capital assets	(33,438,965)	(19,297,595)
Proceeds from sale of capital assets	10,288	179,325
Principal paid on long-term debt	(2,850,000)	(2,710,000)
Passenger facility charges receipts	6,368,815	5,807,095
Interest paid on long-term debt	(2,552,068)	(2,706,875)
Net cash (used in) capital and related financing activities	(17,194,735)	(13,878,567)
Cash flows from investing activities:		
Interest on investments	1,540,965	1,624,740
Maturity and calls of investments	64,435,651	152,064,247
Purchase of investments	(56,506,995)	(190,864,140)
Collections of notes receivable	12,900	11,941
Net cash provided by (used in) investing activities	9,482,521	(37,163,212)
Net increase (decrease) in cash and cash equivalents	5,437,590	(39,214,651)
Cash and cash equivalents, beginning of year	11,149,292	50,363,943
Cash and cash equivalents, end of year	$ 16,586,882	$ 11,149,29

See Accompanying Notes.

Statements of Cash Flows (continued)

Years ended September 30, 2017 and 2016

		2017		2016
Reconciliation of operating loss to net cash provided by operating activities:				
Operating (loss)	$	(3,032,603)	$	(662,977)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation and amortization		17,404,890		14,534,836
Payments for environmental remediation		(1,664,526)		(2,192,430)
Effects of changes in operating assets and liabilities:				
Receivables		(1,192,203)		(73,647)
Inventories		32,659		28,718
Prepaid expenses and other assets		(13,278)		(8,326)
Accounts payable		621,810		356,856
Accrued expenses		71,617		(743,248)
Unearned revenues		129,625		(223,068)
Net pension liability and related changes in deferred outflows and inflows of resources		791,813		810,414
Net cash provided by operating activities	$	13,149,804	$	11,827,128
Noncash nonoperating, capital, financing and investing activities:				
Grants receivable included in capital contributions	$	2,355,277	$	4,740,860
Additions to capital assets included in accounts payable	$	2,108,306	$	3,848,556
Net appreciation (depreciation) in fair value of investments	$	(876,150)	$	(160,483)
Increase in estimate of environmental remediation liability	$	1,405,893	$	440,980

See Accompanying Notes.

Notes to Financial Statements

September 30, 2017 and 2016

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 expires on September 30, 2018.

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 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 Liability, Deferred Outflows and Inflows of Resources

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension 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, 2017 and 2016, 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 2016:

- GASB Statement No. 72, *Fair Value Measurement and Application,* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Authority implemented this Statement in fiscal year 2016; see Note 3 for the current year effect of implementation.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, improves the usefulness of information about pensions included in the financial reports of governments for making decisions and assessing accountability. The Authority has implemented this Statement in fiscal year 2016 with no impact.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* identifies the hierarchy of generally accepted accounting principles and the framework for selecting those principles reducing the GAAP hierarchy to two categories of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The Authority has implemented this Statement in fiscal year 2016 with no impact.
- GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73,* addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Authority has early implemented this statement in fiscal year 2016 with no effect.

Pronouncements issued but not effective

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. 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. The Authority will implement this Statement in fiscal year 2018.

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. Additionally, the Board, at its discretion, may internally designate certain funds for specific purposes.

Deposits with Financial Institutions

At September 30, 2017, the carrying amount of the Authority's deposits was $8,092,624 and the bank balance was $8,487,896. At September 30, 2016, the carrying amount of the Authority's deposits was $5,048,889 and the bank balance was $5,254,329. 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, 2017 and 2016, the Authority had the following investments:

	Fair Value				
	2017		2016		Ratings
Pooled investment fund:	$	%	$	%	
U.S. Agency securities:					
Federal Farm Credit Bank	$ 15,908,930	11%	$ 14,020,635	9%	AAA
Federal Agricultural Mortgage Corp.	7,986,000	5%	-	0%	AAA
Federal Home Loan Bank	11,462,935	8%	17,509,534	11%	AAA
Federal Home Loan Mortgage Corp.	60,931,961	42%	61,465,807	40%	AAA
Federal National Mortgage Association	41,508,460	29%	40,060,134	26%	AAA
U.S. Treasury Bills	7,981,000	5%	21,436,554	14%	
	$ 145,779,286	100%	$ 154,492,664	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, 2017 and 2016:

Investments Measured at Fair Value

	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	$ -

	September 30, 2016		
	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	$ -	$ 14,020,635	$ -
Federal Home Loan Bank	-	17,509,534	-
Federal Home Loan Mortgage Corp.	-	61,465,807	-
Federal National Mortgage Assoc.	-	40,060,134	-
U.S. Treasury Bills	-	21,436,554	-
	$ -	$ 154,492,664	$ -

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, 2017 and 2016 as follows:

	Cash and cash equivalents		Investments	
	2017	2016	2017	2016
Unrestricted	$ 14,308,803	$ 9,168,326	$ 110,236,047	$ 117,613,225
Restricted				
Environmental Remediation Trust	278,698	692,113	-	-
Debt Service				
Airport Subordinate Lien Revenue Bonds, Series 2001	50,697	32,243	904,166	921,453
Airport Subordinate Lien Revenue Bonds, Series 2006	87,732	54,750	1,564,676	1,564,658
Series 2006 Debt Service Reserve Fund	136,887	87,167	2,441,338	2,491,058
Capital Acquisition				
Passenger Facility Charge Fund	1,563,060	933,495	27,770,946	26,719,665
Capital Projects Fund	154,169	96,775	2,737,925	2,768,665
Construction Fund	6,836	84,423	124,188	2,413,940
Total Restricted	2,278,079	1,980,966	35,543,239	36,879,439
	$ 16,586,882	$ 11,149,292	$ 145,779,286	$ 154,492,664

Cash and cash equivalents comprised the following at September 30, 2017 and 2016:

	2017	2016	Ratings
Deposits at financial institutions	$ 8,092,624	$ 5,048,889	N/A
Treasury obligation funds	8,484,808	6,090,753	AAA
Cash on hand	9,450	9,650	N/A
Total cash and cash equivalents	$ 16,586,882	$ 11,149,292	

At September 30, 2017, 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	$ 145,779,286	$ 40,942,440	$ 45,205,232	$ 47,810,964	$ 11,820,650

Notes to Financial Statements (continued)

September 30, 2017 and 2016

NOTE 4 – INVENTORIES

Inventories at September 30, 2017 and 2016 follow:

	2017	2016
Fuel, for internal use and resale	$ 32,939	$ 46,852
Operating and maintenance supplies	278,859	297,605
	$ 311,798	$ 344,457

NOTE 5 – CAPITAL ASSETS

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
Capital assets being depreciated:					
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

NOTE 5 – CAPITAL ASSETS (continued)

Capital asset activity for the year ended September 30, 2016 follows:

	Beginning balance	Transfers	Increases	Decreases	Ending balance
Business type activities:					
Capital assets not being depreciated:					
Land	$ 52,601,945	$ 146,191	$ -	$ -	$ 52,748,136
Air Avigation Easements	30,136,281	(146,191)	-	-	29,990,090
Artwork	455,630	-	-	-	455,630
Construction in progress	57,953,136	(51,664,084)	10,900,354	(774,484)	16,414,922
Total assets not being depreciated	141,146,992	(51,664,084)	10,900,354	(774,484)	99,608,778
Capital assets being depreciated:					
Land improvements	140,288,558	47,858,159	2,073,039	-	190,219,756
Buildings and improvements	223,496,616	1,852,086	410,464	-	225,759,166
Utilities	5,951,108	-	-	-	5,951,108
Computer software	5,784,647	45,685	-	-	5,830,332
Furniture, fixtures, machinery and equipment	36,737,086	1,908,154	3,568,136	(424,986)	41,788,390
Total assets being depreciated	412,258,015	51,664,084	6,051,639	(424,986)	469,548,752
Less accumulated depreciation for:					
Land improvements	90,316,587	2,155,921	5,956,254	-	98,428,762
Buildings and improvements	126,861,032	(2,179,325)	6,556,562	-	131,238,269
Utilities	5,826,430	-	45,515	-	5,871,945
Computer software	5,664,216	-	(134,501)	-	5,529,715
Furniture, fixtures, machinery and equipment	23,351,424	23,404	2,092,675	(359,048)	25,108,455
	252,019,689	-	14,516,505	(359,048)	266,177,146
Net capital assets being depreciated	160,238,326	51,664,084	(8,464,866)	(65,938)	203,371,606
Net capital assets	$ 301,385,318	$ -	$ 2,435,488	$ (840,422)	$ 302,980,384

Depreciation expense was $17,387,543 and $14,516,505 for the years ended September 30, 2017 and 2016, respectively.

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

	2017	2016
Capital assets	$ 600,734,648	$ 569,157,530
Less accumulated depreciation	(283,433,718)	(266,177,146)
Less outstanding debt	(48,236,598)	(51,181,485)
Net investment in capital assets	$ 269,064,332	$ 251,798,899

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, 2017 and 2016 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, 2017 and 2016 follows:

	2017	2016
Forfeiture funds	$ 105,620	$ 94,555
Tenant rent payments	1,120,381	1,001,821
Total unearned revenues	$ 1,226,001	$ 1,096,376

NOTE 7 – LONG-TERM DEBT

Long-term debt at September 30, 2017 and 2016 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

	Beginning balance	Increases	Decreases	Ending balance
2016 activity:				
Business type activities:				
Authority bonds:				
2001 subordinate lien airport revenue bonds	$ 30,370,000	$ -	$ (1,270,000)	$ 29,100,000
2006 subordinate lien airport revenue bonds	22,975,000	-	(1,440,000)	21,535,000
Total debt	53,345,000	-	(2,710,000)	50,635,000
Less current portion	(2,710,000)	-	(140,000)	(2,850,000)
Noncurrent debt	$ 50,635,000	$ -	$ (2,850,000)	$ 47,785,000

NOTE 7 – LONG-TERM DEBT (continued)

	2017	2016
$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	$ 29,100,000
$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	21,535,000
	47,785,000	50,635,000
Unamortized premium – Series 2006 bonds	517,522	620,920
Unamortized discount – Series 2001 bonds	(65,924)	(74,433)
	48,236,598	51,181,487
Less current portion	(2,990,000)	(2,850,000)
Noncurrent debt	$ 45,246,598	$ 48,331,487

A summary of annual long-term debt service requirements to maturity as of September 30, 2017, including required principal installments to the bond funds for $47,785,000 and interest of $17,557,114 totaling $65,342,114 follows:

		Airport Subordinate Lien Revenue Bonds, Series 2006			Airport Subordinate Lien Revenue Bonds, Series 2001	
		Principal	Interest		Principal	Interest
Year ending September 30,	2018	$ 1,590,000	$ 915,975	2018	$ 1,400,000	$ 1,441,257
	2019	1,670,000	833,142	2019	1,470,000	1,370,090
	2020	1,755,000	746,100	2020	1,540,000	1,295,423
	2021	1,840,000	654,808	2021	1,620,000	1,217,090
	2022	1,935,000	558,850	2022	1,700,000	1,132,773
	2023-2027	11,225,000	1,193,604	2023-2027	9,965,000	4,172,376
				2028-2031	10,075,000	1,203,037
		$ 20,015,000	$ 4,902,479		$ 27,770,000	$ 11,832,046

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, 2017 and 2016, 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, 2017.

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

Notes to Financial Statements (continued)

September 30, 2017 and 2016

NOTE 8 – PENSION PLANS

The Authority participates in the Arizona State Retirement System (ASRS) and the Arizona Public Safety Personnel Retirement System (PSPRS).

At September 30, 2017 and 2016 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 plans it participates in.

September 30, 2017	ASRS	PSPRS – Fire Department	PSPRS – Police Department	Net
Net pension liability	$ 16,366,300	$ 11,823,656	$ 14,238,274	$ 42,428,230
Deferred outflows of resources:				
Difference between actual and expected experience	$ -	$ -	$ 296,395	$ 296,395
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	$ 1,378,231	$ 1,437,257	$ 3,973,675
Deferred inflows of resources:				
Difference between actual and expected experience	$ 490,752	$ 193,717	$ -	$ 684,469
Changes of assumptions related to pensions	489,382	-	-	489,382
Difference between projected and actual investment earnings	-	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,013,591	-	-	1,013,591
Total deferred inflows	$ 1,993,725	$ 193,717	$ -	$ 2,187,442
Pension expense	$ (303,857)	$ 1,624,464	$ 2,284,441	$ 3,605,048

NOTE 8 – PENSION PLANS (continued)

September 30, 2016	ASRS	PSPRS – Fire Department	PSPRS – Police Department	Net
Net pension liability	$ 17,858,407	$ 11,159,650	$ 13,070,311	$ 42,088,368
Deferred outflows of resources:				
Difference between actual and expected experience	$ 108,524	$ -	$ 267,116	$ 375,640
Changes of assumptions related to pensions	-	1,081,136	893,902	1,975,038
Difference between projected and actual investment earnings	1,935,257	369,478	344,900	2,649,635
Contributions subsequent to the measurement date	356,759	235,408	245,412	837,579
Total deferred outflows	$ 2,400,540	$ 1,686,022	$ 1,751,330	$ 5,837,892
Deferred inflows of resources:				
Difference between actual and expected experience	$ 1,228,528	$ 295,517	$ -	$ 1,524,045
Changes of assumptions related to pensions	944,852	-	-	944,852
Difference between projected and actual investment earnings	-	94,130	84,408	178,538
Changes in proportion and differences between employer contributions and proportionate share of contributions	952,273	-	-	952,273
Total deferred inflows	$ 3,125,653	$ 389,647	$ 84,408	$ 3,599,708
Pension expense	$ 176,775	$ 1,480,648	$ 1,960,626	$ 3,618,049

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 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:

	2017	2016
Employee contribution rates:		
Retirement	11.34%	11.35%
Long-term disability	.14%	.12%
	11.48%	11.47%
Employer contribution rates:		
Retirement	10.78%	10.85%
Health insurance premium benefit	.56%	.50%
Long-term disability	.14%	.12%
	11.48%	11.47%

NOTE 8 – PENSION PLANS (continued)

Arizona State Retirement System (continued)

The Authority's contributions to the pension plan for the years ended June 30, 2017 and 2016 were $1,104,722 and $1,123,979, respectively.

Pension liability

At September 30, 2017 and 2016 the Authority reported a liability of $16,366,300 and $17,858,407 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017 and 2016. (The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017.) The Authority's proportion of the net pension 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, 2017 and 2016. The Authority's proportion measured as of June 30, 2017 and 2016 were 0.10506% and 0.11064% respectively, which was a decrease of 0.00558%.

For the years ended September 30, 2017 and 2016, the Authority recognized pension expense (income) for ASRS of $(303,857) and $176,775, respectively. At September 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2017		September 30, 2016	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ -	$ 490,752	$ 108,524	$ 1,228,528
Net difference between projected and actual earnings on pension plan investments	117,499	-	1,935,257	-
Changes of assumptions related to pensions	710,826	489,382	-	944,852
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,013,591	-	952,273
Contributions subsequent to the measurement date	329,862	-	356,759	-
	$ 1,158,187	$ 1,993,725	$ 2,400,540	$ 3,125,653

The $329,862 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 liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending September 30,	2018	$ (941,961)
	2019	339,160
	2020	143,737
	2021	(376,474)
		$ (835,538)

NOTE 8 – PENSION PLANS (continued)

Arizona State Retirement System (continued)

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Investment rate of return	8%
Projected salary increases	3%-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the 5 year period ended June 30, 2012.

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.

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

Asset Class	Target Allocation	Long-term expected rate of return
Equity	58%	3.87%
Fixed Income	25%	.91%
Real estate	10%	.42%
Multi-asset class	5%	.17%
Commodities	2%	.08%
Total	100%	5.45%
Inflation		3.25%
Expected Arithmetic nominal return		8.70%

Discount rate   The discount rate used to measure the ASRS total pension liability was 8%, 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'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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – PENSION PLANS (continued)

Arizona State Retirement System (continued)

Sensitivity of the Authority's proportionate share of the ASRS net pension liability to changes in the discount rate The following table presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate:

	1% decrease (7%)	Current discount rate (8%)	1% increase (9%)
Authority's proportionate share of the net pension liability	$ 21,006,431	$ 16,366,300	$ 12,489,074

Detailed information about the pension 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 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
	Before	On or after	On or after
Membership Date	January 1, 2012	January 1, 2012	July 1, 2017

NOTE 8 – PENSION 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.

NOTE 8 – PENSION 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 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	17	47.2%	21	46.7%
Inactive, non-retired members	3	8.3%	5	11.1%
Active members	16	44.5%	19	42.2%
	36		45	

Contributions

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, Employer Contribution requirements for PSPRS pension 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 PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

For the Plan years ended June 30, 2017 and 2016 the Authority and active PSPRS members were required to contribute at the following rates, and the Authority's contributions to the pension plan, which included the required contributions for the health insurance premium benefit, were as follows:

	Fire		Police	
Employer contributions	2017	2016	2017	2016
Employer pension contribution rates	70.22%	73.55%	68.30%	65.77%
Employer health contribution rates	0.00%	0.00%	0.43%	0.29%
Total employer contribution rate	70.22%	73.55%	66.73%	66.06%
Employer contributions	$ 850,516	$ 839,895	$ 871,881	$ 860,997

	Fire		Police	
Employee contribution rates	2017	2016	2017	2016
Tier 1	7.65%	7.65%	7.65%	7.65%
Tier 2	11.65%	11.65%	11.65%	11.65%
Tier 3	*	*	*	*
Employer contributions	$ 850,516	$ 839,895	$ 871,881	$ 860,997

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

Pension liability

At September 30, 2017 and 2016, the Authority reported the following net pension liabilities for its PSPRS pension plans:

	Fire		Police	
	2017	2016	2017	2016
Net pension liability	$ 11,823,656	$ 11,159,650	$ 14,238,274	$ 13,070,311

The net pension liabilities were measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability (asset) was determined by actuarial valuations at these dates.

NOTE 8 – PENSION 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, 2017 and 2016 measurement was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual 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.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study in 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension 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 PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, 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%	6.75%
Fixed income	5%	1.25%
Private credit	16%	5.83%
Absolute return	2%	3.75%
GTAA	10%	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 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – PENSION PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Changes in the net pension liability –

Tucson Airport Authority Fire Department

Measurement Date, June 30, 2017 Reporting Date, September 30, 2017	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)
Balances at beginning of year	$ 15,593,043	$ 4,433,393	$ 11,159,650
Changes for the year:			
Service cost	288,240		288,240
Interest on the total pension liability	1,144,049		1,144,049
Changes of benefit terms	189,346		189,346
Differences between expected and actual experience in the measurement of the pension liability	(1,002)		(1,002)
Changes of assumptions	608,287		608,287
Contributions - employer	-	850,516	(850,516)
Contributions - employee	-	132,556	(132,556)
Net investment income	-	529,903	(529,903)
Benefit payments, including refunds of employee contributions	(966,355)	(966,355)	-
Pension plan administrative expense	-	(5,089)	5,089
Other	-	57,028	(57,028)
Net changes	1,262,565	(598,559)	664,006
Balances end of year	$ 16,855,608	$ 5,031,952	$ 11,823,656

Tucson Airport Authority Fire Department

Measurement Date, June 30, 2016 Reporting Date, September 30, 2016	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)
Balances at beginning of year	$ 14,640,697	$ 4,481,321	$ 10,159,376
Changes for the year:			
Service cost	226,588		226,588
Interest on the total pension liability	1,114,931		1,114,931
Changes of benefit terms	237,906		237,906
Differences between expected and actual experience in the measurement of the pension liability	(88,660)		(88,660)
Changes of assumptions	563,682		563,682
Contributions - employer	-	839,895	(839,895)
Contributions - employee	-	133,036	(133,036)
Net investment income	-	26,592	(26,592)
Benefit payments, including refunds of employee contributions	(1,102,101)	(1,102,101)	-
Pension plan administrative expense	-	(4,227)	4,227
Other	-	58,877	(58,877)
Net changes	952,346	(47,928)	1,000,274
Balances end of year	$ 15,593,043	$ 4,433,393	$ 11,159,650

NOTE 8 – PENSION PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Changes in the net pension liability – continued

Tucson Airport Authority Police Department

Measurement Date, June 30, 2017 Reporting Date, September 30, 2017	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)
Balances at beginning of year	$ 17,210,079	$ 4,139,768	$ 13,070,311
Changes for the year:			
Service cost	313,234		313,234
Interest on the total pension liability	1,267,411		1,267,411
Changes of benefit terms	230,905		230,905
Differences between expected and actual experience in the measurement of the pension liability	213,612		213,612
Changes of assumptions	672,391		672,391
Contributions - employer	-	871,881	(871,881)
Contributions - employee	-	164,792	(164,792)
Net investment income	-	497,677	(497,677)
Benefit payments, including refunds of employee contributions	(935,761)	(935,761)	-
Pension plan administrative expense	-	(4,804)	4,804
Other	-	46	(46)
Net changes	1,761,792	593,831	1,167,961
Balances end of year	$ 18,971,871	$ 4,733,599	$ 14,238,272

Tucson Airport Authority Fire Department

Measurement Date, June 30, 2016 Reporting Date, September 30, 2016	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)
Balances at beginning of year	$ 15,910,153	$ 4,234,699	$ 11,675,454
Changes for the year:			
Service cost	253,073		253,073
Interest on the total pension liability	1,213,721		1,213,721
Changes of benefit terms	212,521		212,521
Differences between expected and actual experience in the measurement of the pension liability	163,868		163,868
Changes of assumptions	607,290		607,290
Contributions - employer	-	860,997	(860,997)
Contributions - employee	-	172,693	(172,693)
Net investment income	-	24,385	(24,385)
Benefit payments, including refunds of employee contributions	(1,150,547)	(1,150,547)	-
Pension plan administrative expense	-	(3,909)	3,909
Other	-	1,450	(1,450)
Net changes	1,299,926	(94,931)	1,394,857
Balances end of year	$ 17,210,079	$ 4,139,768	$ 13,070,311

NOTE 8 – PENSION 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 liability (asset) calculated using the single discount rate of 7.40%, as well as what the Plan's net pension liability (asset) 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	$ 14,026,285	$ 11,823,656	$ 10,015,686
Authority's net pension liability (asset) – Police Department	$ 16,622,157	$ 14,238,274	$ 12,273,421

The pension plan's fiduciary net position has been determined on the same basis used by the pension 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 plan's fiduciary net position is available in the separately issued PSPRS financial report.

NOTE 8 – PENSION PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Tucson Airport Authority Fire Department

Pension expense and deferred outflows/inflows of resources For the years ended September 30, 2017 and 2016 the Authority recognized pension expense for PSPRS Fire of $1,624,464 and $1,480,468, respectively. At September 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

September 30, 2017

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows of resources
Differences between expected and actual experience	$ -	$ 193,717	$ (193,717)
Changes in assumptions	1,079,864	-	1,079,864
Net difference between projected and actual earnings on pension plan investments	64,878	-	64,878
Contributions subsequent to the measurement date	233,489	-	233,489
Total	$ 1,378,231	$ 193,717	$ 1,184,514

September 30, 2016

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows of resources
Differences between expected and actual experience	$ -	$ 295,517	$ (295,517)
Changes in assumptions	1,081,136	-	1,081,136
Net difference between projected and actual earnings on pension plan investments	369,478	94,130	275,348
Contributions subsequent to the measurement date	235,408	-	235,408
Total	$ 1,686,022	$ 389,647	$ 1,296,375

The $233,489 reported as deferred outflows of resources related to PSPRS pensions as of September 30, 2017 resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Year ending June 30, 2018	$ 647,561
2019	223,116
2020	239,916
2021	73,921
2022	-
Total	$ 1,184,514

NOTE 8 – PENSION PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Tucson Airport Authority Police Department

Pension expense and deferred outflows/inflows of resources For the years ended September 30, 2017 and 2016 the Authority recognized pension expense for PSPRS Police of $2,284,441 and $1,960,626, respectively. At September 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

September 30, 2017

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows of resources
Differences between expected and actual experience	$ 296,395	$ -	$ 296,395
Changes in assumptions	819,435	-	819,435
Net difference between projected and actual earnings on pension plan investments	61,083	-	61,083
Contributions subsequent to the measurement date	260,344	-	260,344
Total	$ 1,437,257	$ -	$ 1,437,257

September 30, 2016

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows of resources
Differences between expected and actual experience	$ 267,116	$ -	$ 267,116
Changes in assumptions	893,902	-	893,902
Net difference between projected and actual earnings on pension plan investments	344,900	84,408	260,492
Contributions subsequent to the measurement date	245,412	-	245,412
Total	$ 1,751,330	$ 84,408	$ 1,666,922

The $260,344 reported as deferred outflows of resources related to PSPRS pensions as of September 30, 2017 resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Year ending June 30, 2018	$ 731,508
2019	468,635
2020	273,831
2021	(36,717)
2022	-
Total	$ 1,437,257

NOTE 8 – PENSION PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Other Post-Employment Benefits (OPEB)

Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows:

Fire Department

Year ending June 30	Annual OPEB cost	Percentage of annual cost contributed	Net OPEB obligation
2017	$ -	100%	$ -
2016	-	100%	-
2015	18,377	100%	-

Police Department

Year ending June 30	Annual OPEB cost	Percentage of annual cost contributed	Net OPEB obligation
2017	$ 6,346	100%	$ -
2016	4,096	100%	-
2015	22,345	100%	-

The health insurance premium benefit contribution requirements for the year ended June 30, 2017 were established by the June 30, 2015 actuarial valuations.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as the Authority and plans' members understand it and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Authority and plans' members to that point. Actuarial calculations reflect a long term perspective and employ methods and assumptions designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets.

NOTE 8 – PENSION PLANS (continued)

Arizona Public Safety Personnel Retirement System (continued)

Other Post-Employment Benefits (OPEB) – continued

The significant actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	21 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market; 80%/120% market
Investment rate of return	7.85%, net of investment and administrative expenses
Projected salary increases	4.0% – 8.0%
Payroll growth	4.0%
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).
Assumed future permanent benefit increases	Members Retired on or before July 1, 2011: 2% of overall average benefit compounded annually. All members receive the same dollar amount of increase. Members Retired on or after August 1, 2011: 0.5% of overall average benefit compounded annually. All members receive the same dollar amount of increase.

The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2017, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	20 year, closed for U.A.A.L.
Asset valuation method	7-Year smoothed market; 80%/120% market
Investment rate of return	7.50%, net of investment and administrative expenses
Projected salary increases	4.0 – 8.0%, including inflation of 4.0%

Notes to Financial Statements (continued)

September 30, 2017 and 2016

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, 2017 follows:

Year ending June 30,	2017	$	19,188,847
	2018		10,432,616
	2019		10,199,461
	2020		10,124,583
	2021		9,559,241
	Thereafter		74,288,023
		$	133,792,771

Several lease agreements have provisions for contingent rentals calculated on the tenant's gross revenue if greater than contractual minimum annual guarantees. The amount of contingent rental revenue under these leases totaled $154,993 and $311,273 for the years ended September 30, 2017 and 2016, respectively, and is included in concession revenues.

NOTE 10 – Concentration of operating revenues

Concession fees from the airport rental car operations amounted to approximately 15.0% and 14.5% of total operating revenues for the years ended September 30, 2017 and 2016, respectively. Net revenues from the airport parking lot operations amounted to approximately 16.1% and 15.2% of total operating revenues in the years ended September 30, 2017 and 2016, respectively, and is included in concession revenues.

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. The total effect of approved applications and amendments results in total aggregate collection authority of $144,656,372. The increase in rate was effective October 1, 2006. During the years ended September 30, 2017 and 2016, the Authority earned PFCs of $6,477,205 and $6,071,068, 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, 2017 and 2016.

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, 2017 totaled approximately $30,116,343. These commitments will be funded in whole or in part by federal and state grants of $22,540,302 and the Authority's previously issued revenue bonds and Authority funds, as necessary, of $7,576,041.

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, 2017 and 2016 follow:

	2017	2016
Environmental remediation liability, beginning of year	$ 23,461,032	$ 25,212,477
Current year expense	1,405,893	440,9800
Investment earnings on Environmental Remediation Trust assets	1,111	5
Current year payments	(1,664,526)	(2,192,430)
Environmental remediation liability, end of year	$ 23,203,510	$ 23,461,032
Environmental remediation liability:		
Current – payable from unrestricted assets	$ 2,990,995	$ 2,249,402
Current – payable from restricted assets	278,698	692,113
Long-term – payable from unrestricted assets	19,933,817	20,519,517
	$ 23,203,510	$ 23,461,032

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, 2017 and 2016 restricted net position is as follows:

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

September 30, 2016

	Environmental Trust	Debt service	Capital projects	Total restricted
Assets				
Cash and cash equivalents	$ 692,113	$ 174,159	$ 1,114,694	$ 1,980,966
Investments	-	4,977,169	31,902,270	36,879,439
Accounts receivable	-	-	841,932	841,932
Accrued interest receivable	-	-	62,152	62,152
Prepaid insurance	-	132,809	-	132,809
Total restricted assets	$ 692,113	$ 5,284,137	$ 33,921,048	$ 39,897,298
Liabilities				
Accrued interest payable	$ -	$ 863,105	$ -	$ 863,105
Environmental remediation payable - current portion	692,113	-	-	692,113
Total liabilities payable from restricted assets	692,113	863,105	-	1,555,218
Total Restricted Net Position	$ -	$ 4,421,032	$ 33,921,048	$ 38,342,080

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REQUIRED SUPPLEMENTARY INFORMATION –unaudited

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

(2013 – 2008 information not available)

Reporting date (September 30) Measurement date (June 30)	2017 (2017)	2016 (2016)	2015 (2015)	2014 (2014)
Authority's proportion of the net pension liability	0.105060%	0.110640%	0.116260%	0.120267%
Authority's proportionate share of the net pension liability	$ 16,366,300	$ 17,858,407	$ 18,108,646	$ 17,795,379
Authority's covered employee payroll	10,234,127	10,309,250	10,708,240	10,840,726
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	159.92%	173.23%	169.11%	164.15%
Plan fiduciary net position as a percentage of total pension liability	69.92%	67.06%	68.08%	69.49%

2013 (2013)	2012 (2012)	2011 (2011)	2010 (2010)	2009 (2009)	2008 (2008)
-%	- %	- %	- %	-%	-%
-	-	-	-	-	-
-	-	-	-	-	-
-%	- %	- %	- %	-%	-%
-%	- %	- %	- %	-%	-%

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

(2013 – 2008 information not available)

Reporting date (September 30)	2017	2016	2015	2014
Measurement date (June 30)	(2017)	(2016)	(2015)	(2014)
Total pension liability				
Service cost	$ 288,240	$ 226,588	$ 214,614	$ 217,088
Interest on total pension liability	1,144,049	1,114,931	1,113,123	926,805
Benefit changes	189,346	237,906	-	362,124
Difference between expected and actual experience	(1,002)	(88,660)	(347,529)	(59,196)
Assumption changes	608,287	563,682	-	1,746,767
Benefit payments, including refunds of employee contributions	(966,355)	(1,102,101)	(824,231)	(813,515)
Net change in total pension liability	1,262,565	952,346	155,977	2,380,073
Total pension liability, beginning	15,593,043	14,640,697	14,484,720	12,104,647
Total pension liability, ending (a)	$ 16,855,608	$ 15,593,043	$ 14,640,697	$ 14,484,720
Plan fiduciary net position				
Contributions employer	$ 850,516	$ 839,895	$ 527,805	$ 497,883
Contributions employee	132,556	133,036	120,005	111,010
Pension plan net investment income	529,903	26,592	164,399	570,917
Benefit payments, including refunds of employee contributions	(966,355)	(1,102,101)	(824,231)	(813,515)
Pension plan administrative expense	(5,089)	(4,227)	(4,385)	-
Other	57,028	58,877	(115,462)	(261,027)
Net change in fiduciary net position	598,559	(47,928)	(131,869)	105,268
Plan fiduciary net position, beginning	4,433,393	4,481,321	4,613,190	4,507,922
Plan fiduciary net position, ending (b)	$ 5,031,952	$ 4,433,393	$ 4,481,321	$ 4,613,190
Net pension liability (asset), ending (a)–(b)	$ 11,823,656	$ 11,159,650	$ 10,159,376	$ 9,871,530
Plan fiduciary net position as a percentage of total pension liability	29.85%	28.43%	30.61%	31.85%
Covered valuation payroll	$ 1,229,168	$ 1,174,641	$ 1,098,649	$ 1,013,577
Net pension liability as a percentage of covered valuation payroll	961.92%	950.05%	942.72%	973.93%

2013	2012	2011	2010	2009	2008
(2013)	(2012)	(2011)	(2010)	(2009)	(2008)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
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$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%

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

(2013 – 2008 information not available)

Reporting date (September 30)	2017	2016	2015	2014
Measurement date (June 30)	(2017)	(2016)	(2015)	(2014)
Total pension liability				
Service cost	$ 313,234	$ 253,073	$ 258,524	$ 256,981
Interest on total pension liability	1,267,411	1,213,721	1,171,149	965,854
Benefit changes	230,905	212,521	-	342,709
Difference between expected and actual experience	213,612	163,868	195,045	178,695
Assumption changes	672,391	607,290	-	1,778,168
Benefit payments, including refunds of employee contributions	(935,761)	(1,150,547)	(1,008,807)	(807,083)
Net change in total pension liability	1,761,792	1,299,926	615,911	2,715,324
Total pension liability, beginning	17,210,079	15,910,153	15,294,242	12,578,918
Total pension liability, ending (a)	$ 18,971,871	$ 17,210,079	$ 15,910,153	$ 15,294,242
Plan fiduciary net position				
Contributions employer	$ 871,881	$ 860,997	$ 614,539	$ 576,148
Contributions employee	164,792	172,693	280,628	150,551
Pension plan net investment income	497,677	24,385	154,668	511,958
Benefit payments, including refunds of employee contributions	(935,761)	(1,150,547)	(1,008,807)	(807,083)
Pension plan administrative expense	(4,804)	(3,909)	(4,150)	-
Other	46	1,450	(3,035)	(209,036)
Net change in fiduciary net position	593,831	(94,931)	33,843	222,538
Plan fiduciary net position, beginning	4,139,768	4,234,699	4,200,856	3,978,318
Plan fiduciary net position, ending (b)	$ 4,733,599	$ 4,139,768	$ 4,234,699	$ 4,200,856
Net pension liability (asset), ending (a)–(b)	$ 14,238,272	$ 13,070,311	$ 11,675,454	$ 11,093,386
Plan fiduciary net position as a percentage of total pension liability	24.95%	24.05%	26.62%	27.47%
Covered valuation payroll	$ 1,395,872	$ 1,309,901	$ 1,364,568	$ 1,305,875
Net pension liability as a percentage of covered valuation payroll	1,020.03%	997.81%	855.62%	849.50%

2013	2012	2011	2010	2009	2008
(2013)	(2012)	(2011)	(2010)	(2009)	(2008)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
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$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%

Multiyear Schedule of Pension Contributions

(2013 – 2008 information not available)

Reporting date (September 30)	2017	2016	2015	2014
Measurement date (June 30)	(2017)	(2016)	(2015)	(2014)
Arizona State Retirement System (ASRS)				
(September 30)				
Statutorily required contribution	$ 1,079,842	$ 1,116,892	$ 1,150,449	$ 1,170,477
Contributions in relation to the contractually required contribution	1,079,842	1,116,892	1,150,449	1,170,477
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 10,234,127	$ 10,309,250	$ 10,708,240	$ 10,840,726
Contributions as a percentage of covered employee payroll	10.78%	10.90%	10.89%	10.70%
Public Safety Personnel Retirement System (PSPRS) – Fire Department				
Actuarially determined contribution	$ 850,516	$ 839,895	$ 527,805	$ 497,883
Contributions in relation to the actuarially determined contribution	850,516	839,895	527,805	497,883
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 1,229,168	$ 1,174,641	$ 1,098,649	$ 1,013,577
Contributions as a percentage of covered employee payroll	69.19%	71.50%	48.04%	49.12%
Public Safety Personnel Retirement System (PSPRS) – Police Department				
Actuarially determined contribution	$ 871,881	$ 860,997	$ 614,539	$ 576,148
Contributions in relation to the actuarially determined contribution	871,881	860,997	614,539	576,148
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 1,395,872	$ 1,309,901	$ 1,364,568	$ 1,305,875
Contributions as a percentage of covered employee payroll	62.46%	65.73%	45.04%	44.12%

2013 (2013)	2012 (2012)	2011 (2011)	2010 (2010)	2007 (2007)	2008 (2008)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%
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-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%
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-	-	-	-	-	-
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$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%

Schedule of OPEB Plans' Funding Progress
(Public Safety Personnel Retirement System)

Funding progress health insurance

	Actuarial value of assets (a)	Actuarial accrued liability – AAL (b)	Unfunded AAL– UAAL (Funding excess) (b-a)	Funded Ratio (a/b)	Annual covered payroll (c)	UAAL (Funding Excess) as a percentage of covered payroll (b-a)/c
Fire Department						
June 30, 2014	$ 305,586	$ 197,356	$ (108,230)	154.8%	$ 1,013,578	(10.68%)
June 30, 2015	327,320	207,760	(119,560)	157.6%	1,098,649	(10.88%)
June 30, 2016	339,134	228,701	(110,433)	148.3%	1,174,641	(9.40%)
June 30, 2017	343,632	255,150	(88,482)	134.7%	1,229,168	(7.19%)
Police Department						
June 30, 2014	$ 257,914	$ 261,718	$ 3,804	98.6%	$ 1,305,875	0.29%
June 30, 2015	278,833	295,464	16,631	94.4%	1,364,568	1.22%
June 30, 2016	288,017	269,345	(18,672)	106.9%	1,309,901	(1.43%)
June 30, 2017	299,444	297,204	(2,240)	100.8%	1,395,872	(0.16%)

STATISTICAL SECTION

Statistical Section

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Net Position and Changes in Net Position

Fiscal Years Ended September 30

	2008	2009	2010	2011
Operating revenues				
Landing fees	$ 4,514,982	$ 3,955,954	$ 3,716,258	$ 3,218,611
Space rentals	14,982,283	14,642,735	14,271,708	14,464,321
Land rent	2,358,601	2,485,048	2,632,103	2,694,612
Concession revenue	18,082,017	15,914,805	16,451,297	16,978,230
Product sales	5,434,965	2,959,860	3,111,248	3,386,663
Airport services	3,567,743	3,244,457	3,997,120	4,016,841
Other operating revenues	6,120,531	4,308,162	4,577,805	4,634,781
Total operating revenues	55,061,122	47,511,021	48,757,539	49,394,059
Nonoperating revenues				
Interest income	3,758,394	1,947,288	1,104,984	850,527
Passenger facility charges	8,564,157	7,221,319	7,418,447	7,064,714
Other non-operating revenues	(128,747)	590,487	(263,931)	97,930
Total non-operating revenues	12,193,804	9,759,094	8,259,500	8,013,171
Total revenues	67,254,926	57,270,115	57,017,039	57,407,230
Operating expenses				
Personnel expenses	19,436,788	19,289,037	18,338,923	18,565,829
Contractual services	6,700,706	6,268,927	6,064,411	6,301,918
Materials and supplies	1,604,514	1,197,635	1,264,250	1,390,653
Cost of product sales	4,320,579	2,108,804	2,260,029	2,612,723
Other operating expenses	1,671,420	1,346,920	1,090,153	1,274,401
Depreciation and amortization	13,470,556	16,530,294	16,783,060	15,298,186
Total operating expenses	47,204,563	46,741,617	45,800,826	45,443,710
Non-operating expenses				
Interest expense and fiscal charges	3,714,983	4,872,368	4,591,809	4,252,272
Environmental remediation expenses (1)	599,092	6,128,082	4,707,923	834,444
Other nonoperating expenses	14,491	26,950	-	1,896
Total non-operating expenses	4,328,566	11,027,400	9,299,732	5,088,612
Total expenses	51,533,129	57,769,017	55,100,558	50,532,322
Capital contributions	8,765,633	9,196,017	15,868,166	8,606,611
Special item - Loss on asset impairment	(34,460)	(14,063)	(1,891,123)	(403,565)
Increase in net position	$ 24,452,970	$ 8,683,052	$ 15,893,524	$ 15,077,954
Net position at year-end (1)				
Net investment in capital assets	$ 168,169,113	$ 176,927,712	$ 188,439,666	$ 198,997,844
Restricted	21,705,586	26,738,088	29,259,452	31,135,480
Unrestricted	76,554,134	71,446,085	73,306,291	75,950,039
Total net position	$ 266,428,833	$ 275,111,885	$ 291,005,409	$ 306,083,363

(1) Beginning with the year ending September 30, 2008 environmental remediation expenses are reported in accordance with GASB Statement No. 49, *Accounting and Reporting for Pollution Remediation Obligations* See Note 14 for additional details. Beginning net position for the year ending September 30, 2008 has been restated to reflect this change.

Source: Authority audited financial statements.

2012	2013	2014	2015	2016	2017
$ 3,065,212	$ 2,727,682	$ 2,677,840	$ 2,638,511	$ 2,793,333	$ 2,761,273
14,404,808	14,541,598	14,712,712	15,516,879	15,563,025	14,983,380
2,639,679	2,684,589	2,663,514	2,767,584	2,754,715	2,963,840
16,717,118	14,234,828	14,442,602	14,458,462	15,146,036	16,014,764
2,624,936	1,000,111	-	-	-	-
3,626,002	3,069,561	3,813,682	3,787,935	3,239,181	3,451,629
4,764,771	4,336,606	3,040,508	2,817,414	2,624,624	2,733,868
47,842,526	42,594,975	41,350,858	41,986,785	42,120,914	42,908,754
757,378	733,777	1,003,767	1,383,045	1,533,109	1,757,178
6,884,959	6,193,285	6,135,127	6,010,676	6,071,068	6,477,205
7,813	(466,024)	655,988	576,808	(47,097)	(866,155)
7,650,150	6,461,038	7,794,882	7,970,529	7,557,080	7,368,228
55,492,676	49,056,013	49,145,740	49,957,314	49,677,994	50,276,982
18,813,878	18,855,823	21,271,873	19,945,414	19,887,460	20,139,797
5,759,286	6,321,777	5,843,202	6,064,007	6,165,827	6,120,706
1,405,494	1,348,952	1,764,994	1,465,876	1,311,559	1,422,945
2,063,364	851,930	-	-	-	
1,244,705	1,177,404	2,632,370	914,491	884,209	853,019
15,386,500	16,472,711	15,860,805	16,577,216	14,534,836	17,404,890
44,673,227	45,028,597	47,373,244	44,967,004	42,783,891	45,941,357
3,373,283	3,048,133	2,787,713	2,667,488	2,542,271	2,408,925
1,420,602	1,469,875	1,120,109	421,500	440,980	1,405,893
13,216	15,714	-	280	17,250	752
4,807,101	4,533,722	3,907,822	3,089,268	3,000,501	3,815,570
49,480,328	49,562,319	51,281,066	48,056,272	45,784,392	49,756,927
12,633,202	13,542,280	26,622,392	15,074,095	7,812,027	12,881,611
-	-	-	-	-	-
$ 18,645,550	$ 13,035,974	$ 24,487,065	$ 16,975,137	$ 11,705,629	$ 13,401,666
$ 208,795,492	$ 220,212,684	$ 236,631,507	$ 247,391,638	$ 251,798,899	$ 269,064,332
33,221,914	32,995,119	34,237,052	36,710,371	38,342,080	37,881,459
82,711,507	84,557,084	54,786,190	58,527,877	64,194,536	60,791,390
$ 324,728,913	$ 337,764,887	$ 325,654,749	$ 342,629,886	$ 354,335,515	$ 367,737,181

Principal Revenue Sources

Fiscal Years Ended September 30

	2008	2009	2010	2011
Passenger airline rates and charges				
Landing fees	$ 4,065,168	$ 3,530,022	$ 3,319,897	$ 2,919,614
Terminal rentals	8,601,069	8,408,438	8,183,398	8,444,687
Security fees	968,220	1,152,120	1,780,152	1,757,292
Terminal use fees	50,262	26,379	18,579	-
Custodial, equipment and parking	475,761	360,384	348,516	353,069
Total passenger airline rates and charges	14,160,480	13,477,343	13,650,542	13,474,662
Concession revenues				
Parking lots	8,276,347	6,355,839	6,142,297	6,305,069
Rental cars	6,930,285	7,100,966	7,701,287	8,157,476
News and gift	869,755	742,644	755,931	707,181
Food and beverage	1,228,100	1,015,971	1,079,669	1,117,322
Other	777,530	699,386	772,112	691,181
Total concession revenues	18,082,017	15,914,806	16,451,296	16,978,229
Other operating revenues				
Space rental	5,704,270	5,617,955	5,597,873	5,541,202
Land rent	2,358,601	2,485,048	2,632,103	2,694,612
Tenant finishes	330,270	330,270	224,621	249,221
Cargo airline landing fees	345,236	298,302	232,481	200,488
Air cargo space rentals	288,308	286,072	265,816	229,211
Fuel flowage	2,780,578	1,989,537	2,173,138	2,033,772
TSA reimbursements	503,811	534,701	506,675	476,118
Rental car customer facility charges	1,421,868	1,105,380	1,100,777	1,148,769
General aviation product sales	5,434,965	2,959,860	3,111,248	3,386,663
Other	3,650,718	2,511,747	2,810,969	2,981,112
Total other operating revenues	22,818,625	18,118,872	18,655,701	18,941,168
Total operating revenues	55,061,122	47,511,021	48,757,539	49,394,059
Non-operating revenues				
Interest income	3,758,394	1,947,288	1,104,984	850,527
Passenger facility charges	8,564,157	7,221,319	7,418,447	7,064,714
Other non-operating revenues	(128,747)	590,487	(263,931)	97,930
Total non-operating revenues	12,193,804	9,759,094	8,259,500	8,013,171
Total revenues	$ 67,254,926	$ 57,270,115	$ 57,017,039	$ 57,407,230

Source: Authority audited financial statements and records.

	2012	2013	2014	2015	2016	2017
	$ 2,787,533	$ 2,442,338	$ 2,374,308	$ 2,276,000	$ 2,377,507	$ 2,358,611
	8,604,629	8,718,422	8,526,226	9,031,797	9,012,994	8,998,645
	1,673,772	1,620,612	1,683,084	2,168,184	2,010,660	2,039,015
	-	-	-	-	-	-
	295,335	281,127	290,848	266,689	268,989	168,098
	13,361,269	13,062,499	12,874,466	13,742,670	13,670,150	13,564,369
	6,299,860	5,889,802	6,091,415	6,192,931	6,392,766	6,900,338
	7,941,530	5,883,762	5,909,460	5,733,134	6,114,720	6,417,509
	677,861	675,724	711,183	708,067	679,767	492,237
	1,118,681	1,111,483	1,095,263	1,165,119	1,242,012	1,241,351
	679,186	674,057	635,281	659,211	716,771	963,329
	16,717,118	14,234,828	14,442,602	14,458,462	15,146,036	16,014,764
	5,315,138	5,305,856	5,724,956	6,030,053	6,059,773	5,739,989
	2,639,679	2,684,589	2,663,514	2,767,584	2,754,715	2,963,840
	226,888	224,858	224,858	224,858	224,858	92,715
	203,776	208,659	207,482	206,601	216,621	203,237
	258,153	292,462	236,672	230,171	265,400	267,005
	1,949,201	2,042,185	897,339	405,135	422,306	438,212
	527,436	413,479	423,100	425,099	390,311	388,385
	1,168,421	1,106,892	1,105,439	1,173,263	1,197,810	1,209,425
	2,624,936	1,000,111	475,582	223,161	195,554	203,969
	2,850,511	2,018,557	2,074,848	2,099,728	1,577,380	1,822,844
	17,764,139	15,297,648	14,033,790	13,785,653	13,304,728	13,329,633
	47,842,526	42,594,975	41,350,858	41,986,785	42,120,914	42,908,754
	757,378	733,777	1,003,767	1,383,045	1,533,109	1,757,178
	6,884,959	6,193,285	6,135,127	6,010,676	6,071,068	6,477,205
	7,813	(466,024)	655,988	576,808	(47,097)	(866,155)
	7,650,150	6,461,038	7,794,882	7,970,529	7,557,080	7,368,228
	$ 55,492,676	$ 49,056,013	$ 49,145,740	$ 49,957,314	$ 49,677,994	$ 50,276,982

Principal Revenue Source Ratios

Fiscal Years Ended September 30

	2008	2009	2010	2011
Passenger airline rates and charges as a percentage of total operating revenues	25.7%	28.4%	28.0%	27.3%
Concession revenues as a percentage of total operating revenues	32.8%	33.5%	33.7%	34.4%
Non-passenger airline revenues as a percentage of total operating revenues	74.3%	71.6%	72.0%	72.7%
Enplaned passengers	2,202,373	1,837,175	1,855,615	1,841,834
Airline cost per enplaned passenger	$ 6.43	$ 7.34	$ 7.36	$ 7.32
Concession revenues per enplaned passenger	$ 8.21	$ 8.66	$ 8.87	$ 9.22
Operating revenues per enplaned passenger	$ 25.00	$ 25.86	$ 26.28	$ 26.82
Total revenues per enplaned passenger	$ 30.54	$ 31.17	$ 30.73	$ 31.17

Source: Enplaned passengers as reported by airlines.

Rates and Charges

Fiscal Years Ended September 30

	2008	2009	2010	2011
Signatory airlines				
Landing fee (per 1,000 lbs.)	$ 1.51	$ 1.65	$ 1.55	$ 1.35
Ticketing space (per sq. ft. per year)	$ 67.44	$ 71.44	$ 71.44	$ 73.86
Baggage claim (per sq. ft. per year)	$ 63.95	$ 67.74	$ 67.74	$ 70.04
Baggage makeup (per sq. ft. per year)	$ 40.46	$ 42.86	$ 23.80	$ 24.61
Baggage claim office (per sq. ft. per year)	$ 67.44	$ 71.44	$ 71.44	$ 73.86
Operations space (per sq. ft. per year)	$ 57.30	$ 60.70	$ 60.70	$ 62.76
Hold room (per gate per year)	$ 98,333.04	$ 104,163.41	$ 105,152.00	$ 107,700.75
Aircraft parking position (per gate per year)	$ 7,055.18	$ 7,473.50	$ 7,473.50	$ 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)	$ 13.00	$ 11.00	$ 9.00	$ 9.00
Economy uncovered (per day)	$ 4.00	$ 4.00	$ 4.00	$ 4.00
Economy covered (per day Oct. - Mar.)	$ 6.00	$ 5.00	$ 5.00	$ 5.00
Economy covered (per day Apr. - Sep.)	$ 8.00	$ 6.00	$ 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%

N.A.: Not applicable.

Source: Authority records.

*Parking rates were increased in February 2017.

2012	2013	2014	2015	2016	2017
27.9%	30.7%	31.1%	32.7%	32.5%	31.6%
34.9%	33.4%	34.9%	34.4%	36.0%	37.3%
72.1%	69.3%	68.9%	67.3%	67.5%	68.4%
1,826,046	1,655,617	1,621,231	1,590,321	1,618,304	1,711,518
$ 7.32	$ 7.89	$ 7.94	$ 8.64	$ 8.45	$ 7.93
$ 9.15	$ 8.60	$ 8.91	$ 9.09	$ 9.36	$ 9.36
$ 26.20	$ 25.73	$ 25.51	$ 26.40	$ 26.03	$ 25.07
$ 30.39	$ 29.63	$ 30.31	$ 31.41	$ 30.70	$ 29.38

2012	2013	2014	2015	2016	2017
$ 1.32	$ 1.31	$ 1.41	$ 1.31	$ 1.30	$ 1.29
$ 73.86	$ 76.30	$ 76.30	$ 78.81	$ 78.81	$ 80.91
$ 70.04	$ 72.36	$ 72.36	$ 74.74	$ 74.74	$ 76.73
$ 24.61	$ 25.42	$ 25.42	$ 26.26	$ 26.26	$ 26.96
$ 73.86	$ 76.30	$ 76.30	$ 78.81	$ 78.81	$ 80.91
$ 62.76	$ 64.84	$ 64.84	$ 66.97	$ 66.97	$ 68.75
$ 107,700.75	$ 111,263.62	$ 111,265.62	$ 114,926.26	$ 114,926.26	$ 117,983.30
$ 7,726.84	$ 7,982.45	$ 7,982.60	$ 8,245.20	$ 8,245.23	$ 8,464.55
$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00
$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 10.00
$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 10.00
$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 10.00
$ 4.00	$ 4.00	$ 4.00	$ 4.00	$ 4.00	$ 4.50
$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 6.00
$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 6.00
10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Ratios of Outstanding Debt, Debt Service and Debt Limits

Fiscal Years Ended September 30

	2008	2009	2010	2011
Outstanding Debt Ratios				
Outstanding debt by type				
Senior lien revenue bonds	$ 32,155,000	$ 27,630,000	$ 22,950,000	$ 8,810,000
Subordinate lien revenue bonds	69,030,000	67,095,000	65,075,000	62,960,000
Junior subordinate lien revenue bonds	3,635,000	3,635,000	-	-
Notes payable	44,490	-	-	-
Total outstanding debt	$ 104,864,490	$ 98,360,000	$ 88,025,000	$ 71,770,000
Enplaned passengers	2,202,373	1,837,175	1,855,615	1,841,834
Outstanding debt per enplaned passenger	$ 47.61	$ 53.54	$ 47.44	$ 38.97
Operating revenues	$ 55,061,122	$ 47,511,021	$ 48,757,539	$ 49,394,059
Ratio of outstanding debt to operating revenues	1.90	2.07	1.81	1.45
Total revenues	$ 67,254,926	$ 57,270,115	$ 57,017,039	$ 57,407,230
Ratio of outstanding debt to total revenues	1.56	1.72	1.54	1.25
Debt Service Ratios				
Debt service				
Principal (1)	$ 5,990,992	$ 6,504,490	$ 6,700,000	$ 6,950,000
Interest	5,403,934	5,135,005	4,775,942	4,761,308
Total debt service	$ 11,394,926	$ 11,639,495	$ 11,475,942	$ 11,711,308
Debt service per enplaned passenger	$ 5.17	$ 6.34	$ 6.18	$ 6.36
Total expenses	$ 51,533,129	$ 57,769,017	$ 55,100,558	$ 50,532,322
Ratio of debt service to total expenses	0.22	0.20	0.21	0.23
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.

2012	2013	2014	2015	2016	2017
$ 4,510,000	$ -	$ -	$ -	$ -	$ -
60,730,000	58,385,000	55,930,000	53,345,000	50,635,000	47,785,000
-	-	-	-	-	-
-	-	-	-	-	-
$ 65,240,000	$ 58,385,000	$ 55,930,000	$ 53,345,000	$ 50,635,000	$ 47,785,000
1,826,046	1,655,617	1,621,231	1,590,321	1,618,304	1,711,518
$ 35.73	$ 35.26	$ 34.50	$ 33.54	$ 31.29	$ 27.92
$ 47,842,526	$ 42,594,975	$ 41,350,858	$ 41,986,785	$ 42,120,914	$ 42,908,754
1.36	1.37	1.35	1.27	1.20	1.11
$ 55,492,676	$ 49,056,013	$ 49,145,740	$ 49,957,314	$ 49,677,994	$ 50,276,982
1.18	1.19	1.14	1.07	1.02	0.95
$ 6,530,000	$ 6,855,000	$ 2,455,000	$ 2,585,000	$ 2,710,000	$ 2,850,000
3,621,515	3,288,317	2,944,190	2,819,690	2,688,815	2,551,315
$ 10,151,515	$ 10,143,317	$ 5,399,190	$ 5,404,690	$ 5,398,815	$ 5,401,315
$ 5.56	$ 6.13	$ 3.33	$ 3.40	$ 3.34	$ 3.16
$ 49,480,328	$ 49,562,319	$ 51,281,066	$ 48,056,272	$ 45,784,392	$ 49,756,927
0.21	0.20	0.11	0.11	0.12	0.11
N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Airport Revenue Bond Coverage Per Bond Resolutions

Fiscal Years Ended September 30

	2008	2009	2010	2011
Senior Lien Revenue Bond Debt Service Coverage				
Operating revenues	$ 55,061,122	$ 47,511,021	$ 48,757,539	$ 49,394,059
Interest income (1)	2,684,419	1,290,242	675,665	483,890
Transfer from airline reserve fund (2)	2,354,525	2,078,826	4,471,531	2,217,351
Total revenues	60,100,066	50,880,089	53,904,735	52,095,300
Operation and maintenance expenses	(33,734,007)	(30,211,323)	(29,017,766)	(30,145,524)
Net revenues	26,366,059	20,668,766	24,886,969	21,949,776
Senior lien debt service requirement				
Series 2001A,B,C	1,305,996	1,307,268	1,309,878	1,307,078
Series 2003 refunding	4,737,362	4,739,196	4,737,575	4,736,833
Total senior lien debt service	$ 6,043,358	$ 6,046,464	$ 6,047,453	$ 6,043,911
Senior lien revenue bond debt service coverage	4.36	3.42	4.12	3.63
Required minimum coverage	1.25	1.25	1.25	1.25
Subordinate Lien Revenue Bond Debt Service Coverage				
Net revenues	$ 26,366,059	$ 20,668,766	$ 24,886,969	$ 21,949,776
PFC revenues transferred for subordinate lien debt service	4,659,322	4,875,789	4,876,327	4,878,142
Subtotal	31,025,381	25,544,555	29,763,296	26,827,918
Senior lien debt service	(6,043,358)	(6,046,464)	(6,047,453)	(6,043,911)
Net revenues available for subordinate lien debt service	24,982,023	19,498,091	23,715,843	20,784,007
Subordinate lien debt service requirement				
Series 2001	2,865,365	2,864,257	2,864,665	2,863,990
Series 2006	2,294,062	2,572,292	2,572,458	2,575,642
Total subordinate lien debt service	5,159,427	$ 5,436,549	$ 5,437,123	$ 5,439,632
Subordinate lien revenue bond debt service coverage	4.84	3.59	4.36	3.82
Required minimum coverage	1.10	1.10	1.10	1.10
Total Revenue Bond Debt Service Coverage				
Net revenues	$ 26,366,059	$ 20,668,766	$ 24,886,969	$ 21,949,776
PFC revenues transferred for subordinate lien debt service	4,659,322	4,875,789	4,876,327	4,878,142
Subtotal	31,025,381	25,544,555	29,763,296	26,827,918
Total revenue bond debt service requirement				
Senior lien bonds	6,043,358	6,046,464	6,047,453	6,043,911
Subordinate lien bonds	5,159,427	5,436,549	5,437,123	5,439,632
Junior subordinate lien bonds	142,229	49,594	10,785	49,594
Total revenue bond debt service	$ 11,345,014	$ 11,532,607	$ 11,495,361	$ 11,483,543
Total revenue bond debt service coverage	2.73	2.21	2.59	2.34
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.

2012	2013	2014	2015	2016	2017
$ 47,842,526	$ 42,594,975	$ 41,350,858	$ 41,986,785	$ 42,120,914	$ 42,908,754
423,027	408,225	558,471	783,869	897,339	1,022,053
1,867,127	1,828,523	170,566	4,015,500	-	
50,132,680	44,831,723	42,079,895	46,786,154	43,018,253	43,930,807
(29,286,727)	(28,555,886)	(31,512,439)	(28,389,788)	(28,249,055)	(28,536,467)
20,845,953	16,275,837	10,567,456	18,396,366	14,769,198	15,394,340
-	-	-	-	-	-
4,738,833	3,157,000	-	-	-	-
$ 4,738,833	$ 3,157,000	$ -	$ -	$ -	$ -
4.40	5.16	-	-	-	-
1.25	1.25	1.25	1.25	1.25	1.25
$ 20,845,953	$ 16,275,837	$ 10,567,456	$ 18,396,366	$ 14,769,198	$ 15,394,340
4,897,807	4,836,868	4,805,218	4,763,643	4,656,554	4,823,054
25,743,760	21,112,705	15,372,674	23,160,009	19,425,752	20,217,394
(4,738,833)	(3,157,000)	-	-	-	-
21,004,927	17,955,705	15,372,674	23,160,009	19,425,752	20,217,394
2,882,873	2,826,757	2,843,423	2,844,923	2,792,315	2,862,257
2,576,642	2,570,475	2,573,183	2,516,683	2,445,225	2,573,225
$ 5,459,515	$ 5,397,232	$ 5,416,606	$ 5,361,606	$ 5,237,540	$ 5,435,482
3.85	3.33	2.84	4.32	3.71	3.72
1.10	1.10	1.10	1.10	1.10	1.10
$ 20,845,953	$ 16,275,837	$ 10,567,456	$ 18,396,366	$ 14,769,198	$ 15,394,340
4,897,807	4,836,868	4,805,218	4,763,643	4,656,554	4,823,054
25,743,760	21,112,705	15,372,674	23,160,009	19,425,752	20,217,394
4,738,833	3,157,000	-	-	-	-
5,459,515	5,397,232	5,416,606	5,361,606	5,237,540	5,435,482
10,785	-	-	-	-	-
$ 10,198,348	$ 8,554,232	$ 5,416,606	$ 5,361,606	$ 5,237,540	$ 5,435,482
2.52	2.47	2.84	4.32	3.71	3.72
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
Primary service area				
Pima County, Arizona	984,032	984,274	980,263	986,081
Annual % change	0.7%	0.0%	-0.4%	0.6%
Secondary service area				
Cochise County, Arizona	130,567	130,296	131,346	130,537
Graham County, Arizona	36,453	37,281	37,220	37,710
Greenlee County, Arizona	8,808	8,533	8,437	8,380
Pinal County, Arizona	358,190	364,995	375,770	384,231
Santa Cruz County, Arizona	47,016	47,384	47,420	48,088
Total secondary service area	581,034	588,489	600,193	608,946
Annual % change	4.9%	1.3%	2.0%	1.5%
Total primary and secondary service areas	1,565,066	1,572,763	1,580,456	1,595,027
Annual % change	2.2%	0.5%	0.5%	0.9%
State of Arizona	6,368,649	6,389,081	6,392,017	6,438,178
Annual % change	1.5%	0.3%	0.1%	0.7%
United States	304,059,724	307,006,550	308,745,538	311,582,564
Annual % change	0.9%	1.0%	0.6%	0.9%

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

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.

2012	2013	2014	2015	2016	2017
990,380	996,046	1,007,162	1,009,371	1,013,103	1,026,099
0.4%	0.6%	1.1%	0.2%	0.4%	1.3%
130,752	130,906	129,628	129,112	128,343	128,383
37,314	37,872	38,315	38,475	38,303	38,275
8,599	10,913	10,476	10,555	10,433	10,961
389,192	393,813	396,237	406,468	413,312	427,603
48,724	49,218	49,554	50,270	50,581	51,507
614,581	622,722	624,210	634,880	640,972	656,729
0.9%	1.3%	0.2%	1.7%	1.0%	2.5%
1,604,961	1,618,768	1,631,372	1,644,251	1,654,075	1,682,828
0.6%	0.9%	0.8%	0.8%	0.6%	1.7%
6,498,569	6,581,054	6,667,241	6,758,251	6,835,518	6,965,897
0.9%	1.3%	1.3%	1.4%	1.1%	1.9%
313,873,685	316,128,839	317,297,938	321,422,019	323,127,513	325,507,602
0.7%	0.7%	0.4%	1.3%	0.5%	0.7%

2012	2013	2014	2015	2016	2017
7.3%	6.9%	6.3%	5.7%	5.0%	4.5%
8.2%	8.5%	8.3%	7.6%	6.3%	5.4%
8.9%	8.1%	6.9%	7.7%	6.7%	5.7%
6.0%	6.7%	6.5%	8.5%	7.7%	5.5%
8.9%	8.4%	7.4%	6.6%	5.6%	4.9%
17.2%	18.0%	16.2%	14.6%	10.1%	9.6%
9.3%	9.1%	8.2%	7.6%	6.2%	5.4%
7.9%	7.7%	6.9%	6.4%	5.4%	4.8%
8.3%	8.0%	8.0%	6.0%	5.4%	4.8%
8.1%	7.4%	6.2%	5.1%	4.9%	4.4%

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)
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

	2008	2009	2010	2011	2012
Management	4.25	4.25	4.00	4.00	4.00
Legal	2.50	2.50	4.00	4.00	3.00
Public Information/Government Affairs	4.00	4.00	4.00	-	-
Administration/Properties	9.00	9.00	9.00	7.00	7.00
Information Technology and Telecommunications	11.00	11.00	11.00	11.00	9.00
Human Resources	6.00	6.00	5.00	5.00	5.00
Procurement	9.50	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	9.75	10.00	10.00	9.00
Projects	31.75	31.75	31.00	25.00	22.00
Operations Management	3.00	3.00	7.00	7.00	7.00
Airside Operations	5.00	5.00	-	-	-
Police	52.50	53.50	53.50	51.00	48.50
Fire	19.00	19.00	18.00	17.00	16.50
Communications/Dispatch	13.00	13.00	13.00	12.00	12.00
Custodial	54.00	54.00	53.00	53.00	44.00
Flight Line Services	31.50	29.50	29.00	25.00	23.00
Maintenance	41.00	41.00	43.00	42.00	40.00
Ryan Airfield	2.50	2.50	-	-	-
Total	309.25	308.25	303.50	289.00	264.00

Source: Authority records.

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

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

		2008	2009	2010	2011
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	1,474,485	1,941,985	1,941,985
Consolidated rental car facility:	Number of companies	7	7	7	7
	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 (surface spaces):	Hourly	469	469	469	469
	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.

2012	2013	2014	2015	2016	2017
8,343	8,343	8,343	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	202,451
35,067	35,067	23,281	23,281	23,281	23,281
10,401	10,401	10,401	10,401	10,401	10,401
115,300	115,300	115,300	115,300	115,300	115,300
12,076	12,076	23,862	23,862	23,862	23,862
76,730	76,730	76,730	76,730	76,730	76,730
452,025	452,025	452,025	452,025	452,025	452,025
19	19	19	19	19	19
18	18	18	18	18	18
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	5	5	4	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

		2008	2009	2010	2011
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.

	2012	2013	2014	2015	2016	2017
	1,804	1,804	1,804	1,804	1,804	1,804
	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	465,000	436,000	436,000	436,000	436,000

Passenger, Cargo and Mail Summary
Tucson International Airport

Fiscal Years Ended September 30

	2008	2009	2010	2011
Passengers				
Enplaned	2,202,373	1,837,175	1,855,615	1,841,834
Deplaned	2,192,832	1,832,749	1,853,563	1,835,060
Total	4,395,205	3,669,924	3,709,178	3,676,894
Annual % change	0.5%	-16.5%	1.1%	-0.9%
Air Freight (pounds)				
All-cargo carriers				
Enplaned	29,434,704	26,312,873	27,826,292	25,242,128
Deplaned	43,990,112	33,482,706	38,460,356	33,726,997
Total	73,424,816	59,795,579	66,286,648	58,969,125
Annual % change	-6.1%	-18.6%	10.9%	-11.0%
Passenger carriers				
Enplaned	851,369	714,317	938,253	840,931
Deplaned	2,661,911	2,312,730	2,146,039	1,798,178
Total	3,513,280	3,027,047	3,084,292	2,639,109
Annual % change	0.0%	-13.8%	1.9%	-14.4%
Mail (pounds)				
Enplaned	1,871	243	189	1,681
Deplaned	10,614	8,852	9,324	11,313
Total	12,485	9,095	9,513	12,994
Annual % change	-98.4%	-27.2%	4.6%	36.6%

Source: Authority records based on airline reporting.

2012	2013	2014	2015	2016	2017
1,826,046	1,655,617	1,621,231	1,590,321	1,618,304	1,711,518
1,823,737	1,653,003	1,618,618	1,591,580	1,610,085	1,701,933
3,649,783	3,308,620	3,239,849	3,181,901	3,228,389	3,413,451
-0.7%	-9.3%	-2.1%	-1.8%	1.5%	5.7%
26,487,591	29,923,629	29,713,492	27,929,293	25,854,899	26,062,422
42,433,770	36,390,827	33,480,907	36,302,965	34,188,437	30,312,564
68,921,361	66,314,456	63,194,399	64,232,258	60,043,336	56,374,986
16.9%	-3.8%	-4.7%	1.6%	-6.5%	-6.1%
915,005	671,255	581,698	812,252	690,595	542,651
1,595,464	1,374,109	1,020,436	1,140,052	1,103,759	801,217
2,510,469	2,045,364	1,602,134	1,952,304	1,794,354	1,343,868
-4.9%	-18.5%	-21.7%	21.9%	-8.1%	-25.1%
5,391	5,291	5,419	3,041	2,160	3,120
6,991	9,301	10,979	25,485	83,158	42,992
12,382	14,592	16,398	28,526	85,318	46,112
-4.7%	17.8%	12.4%	74.0%	199.1%	-46.0%

Aircraft Operations Summary

Fiscal Years Ended September 30

	2008	2009	2010	2011
Tucson International Airport				
Air carrier	43,078	35,551	35,143	35,911
Air taxi	30,481	21,953	23,388	21,959
Military	28,437	29,412	30,687	27,569
General aviation	129,965	94,470	79,265	72,893
Total	231,961	181,386	168,483	158,332
Annual % change	-9.6%	-21.8%	-7.1%	-6.0%
Ryan Airfield (1)				
Air carrier	2	2	-	-
Air taxi	4	9	4	20
Military	3,210	5,287	4,190	3,446
General aviation	197,832	121,881	117,518	108,541
Total	201,048	127,179	121,712	112,007
Annual % change	-8.7%	-36.7%	-4.3%	-8.0%

(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	2008	% of Total	2009	2010	2011	2012
American Airlines	688,539	31.2%	628,514	613,751	626,260	638,794
Southwest Airlines	644,277	29.2%	594,120	606,913	618,007	623,484
Delta Air Lines	252,517	11.5%	213,295	212,276	199,841	199,117
United Airlines	342,893	15.6%	271,318	288,570	263,890	262,245
Alaska Airlines	56,856	2.6%	49,490	50,134	52,967	57,391
Aeromar	-	0.0%	-	-	-	-
Frontier Airlines	72,904	3.3%	74,500	79,777	80,869	45,015
Sun Country Airlines	5,772	0.3%	5,932	4,194	-	-
Aerolitoral	8,249	0.4%	6	-	-	-
ExpressJet Airlines	108,524	4.9%	-	-	-	-
JetBlue Airways	21,842	1.0%	-	-	-	-
Total	2,202,373	100.0%	1,837,175	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.

	2012	2013	2014	2015	2016	2017
	34,423	30,593	30,527	28,624	32,888	35,625
	20,309	20,417	19,308	20,126	17,541	13,767
	24,887	25,133	24,693	28,050	26,974	27,734
	65,545	62,120	64,892	64,622	62,152	55,741
	145,164	138,263	139,420	141,422	139,555	132,867
	-8.3%	-4.8%	0.8%	1.4%	-1.3%	-4.8%
	-	-	-	2	-	-
	-	2	-	-	-	-
	9,744	14,914	14,675	20,464	16,483	13,602
	107,531	106,658	103,135	97,017	94,376	90,808
	117,275	121,574	117,810	117,483	110,859	104,410
	4.7%	3.7%	-3.1%	-0.3%	-5.6%	-5.8%

	2013	2014	2015	2016	% of Total	2017	% of Total
	605,261	638,006	628,962	616,346	38.1%	661,910	38.7%
	592,375	530,680	506,260	497,687	30.7%	493,566	28.8%
	181,950	179,842	181,236	216,432	13.4%	240,113	14.1%
	222,485	198,926	203,459	215,208	13.3%	234,805	13.7%
	53,546	73,777	70,404	72,631	4.5%	77,694	4.5%
	-	-	-	-	0.0%	3,430	0.2%
	-	-	-	-	0.0%	-	0.0%
	-	-	-	-	0.0%	-	0.0%
	-	-	-	-	0.0%	-	0.0%
	-	-	-	-	0.0%	-	0.0%
				-	0.0%	-	0.0%
	1,655,617	1,621,231	1,590,321	1,618,304	100.0%	1,711,518	100.0%

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

Fiscal Years Ended September 30

Carrier	2008	% of Total	2009	2010	2011	2012
Passenger carriers						
American Airlines	765,121	31.4%	675,866	661,672	697,146	683,765
Southwest Airlines	880,596	30.4%	787,992	762,806	800,968	810,352
Delta Air Lines	273,467	10.4%	218,425	230,247	208,625	213,304
United Airlines	395,125	17.0%	301,105	342,923	315,044	299,888
Alaska Airlines	61,490	2.0%	52,302	52,205	52,495	58,787
Aeromar	-	0.0%	-	-	-	-
Frontier Airlines	103,673	3.6%	95,306	91,767	88,674	46,009
Sun Country Airlines	7,300	0.0%	8,367	5,983	-	-
Aerolitoral	10,559	0.4%	43	-	-	-
ExpressJet Airlines	167,190	2.7%	-	-	-	-
JetBlue Airways	35,862	2.1%	-	-	-	-
Total	2,700,383	100.0%	2,139,406	2,147,603	2,162,952	2,112,104
Cargo carriers						
Federal Express	136,694	60.2%	141,821	144,005	139,971	145,331
Ameriflight	4,347	1.3%	9,706	8,243	8,539	9,044
UPS	62,768	25.2%	22,470	-	-	-
DHL	29,171	13.3%	6,630	-	-	-
Total	232,980	100.0%	180,627	152,248	148,510	154,374
Grand total	2,933,363		2,320,033	2,299,851	2,311,462	2,266,479

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	% of Total	2017	% of Total
668,463	704,729	682,507	696,297	38.1%	706,789	37.8%
708,544	600,950	582,838	575,400	31.5%	543,476	29.1%
191,419	188,555	185,116	243,961	13.3%	264,562	14.2%
242,435	215,279	217,723	241,336	13.2%	269,875	14.4%
53,504	76,872	71,231	71,857	3.9%	76,197	4.1%
-	-	-	-	0.0%	7,109	0.4%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
1,864,365	1,786,385	1,739,415	1,828,851	100.0%	1,868,008	100.0%
149,664	146,110	149,500	158,676	95.2%	138,292	87.8%
9,617	9,323	8,211	7,955	4.8%	19,256	12.2%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
159,281	155,433	157,711	166,631	100.0%	157,548	100.0%
2,023,646	1,941,818	1,897,126	1,995,482		2,025,556	

Scheduled Air Service Information
Tucson International Airport

Month of September

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of daily nonstop destinations	18	15	15	15	14	14	14	13	13	14
Number of nonstop flights per day										
Albuquerque	2	2	2	2	2	-	-	-	-	-
Atlanta	2	2	2	2	2	2	2	2	2	2
Charlotte	1	-	-	-	-	-	-	-	-	-
Chicago Midway	2	1	1	1	2	2	1	1	1	1
Chicago O'Hare	2	2	2	2	2	1	1	1	1	3
Dallas/Fort Worth	7	7	7	7	7	7	7	6	6	6
Denver	6	7	8	7	4	4	5	5	5	6
Hermosillo, Mexico	1	-	-	-	-	-	-	-	-	-
Houston Bush	4	4	4	4	4	4	4	3	3	2
Las Vegas	5	5	5	5	4	4	4	3	3	3
Los Angeles International	10	10	10	12	9	9	8	8	10	9
Minneapolis	1	1	1	1	-	-	-	-	-	-
Oakland	1	-	-	-	-	-	-	-	-	-
Portland	-	-	-	-	-	-	1	-	-	-
Phoenix	9	10	9	9	8	9	9	10	9	7
Salt Lake City	4	3	4	3	3	3	3	3	2	2
San Diego	4	4	3	3	3	3	3	3	3	2
San Francisco	1	1	1	2	1	1	1	1	2	2
San Jose	-	-	-	-	-	-	-	-	-	1
Seattle	1	1	1	1	1	1	1	1	1	1
Total	63	60	60	61	52	50	50	47	48	47
Average scheduled seats per day	6,546	6,081	6,245	5,949	5,518	4,990	5,041	4,634	4,892	4,934

Source: Official Airline Guide.

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