

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

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

**1. CALL TO ORDER | ROLL CALL**

Chair Smallhouse called the meeting to order at 2:05 p.m.

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

**Council Members Absent:** Council Member John Parker

**Others Present:** Eric Maneval, CPA/Principal, BeachFleischman, PLLC

**Staff Present:** President/CEO Danette Bewley, Vice President/Chief Financial Officer Kim Allison, Deputy General Counsel Kim Outlaw Ryan, Director of Finance Clark Wager, Financial Controller Jignya Patel, IT Customer Support Technician Hector Lopez, and TAA Clerk Byron Jones

**2. APPROVAL OF MINUTES**

**Motion by Vice Chair Hammond, seconded by Treasurer Faulbaum, to approve the minutes of the Executive Council meeting held on August 7, 2023. The motion carried by the following vote:**

**Ayes (4) Smallhouse, Villicaña, Lyons, and Baena**

**Nays (0)**

**3. PRESIDENT/CEO REPORT**

**a. State of the Industry | Update**

President/CEO Danette Bewley reported the following:

- Passenger volume continues to improve. Staff projects that TUS will reach 3.9M passengers by the end of 2023; this represents a full recovery to pre-pandemic levels.
- TAA hosted executives from American Airlines and Southwest Airlines. Both air carriers are interested in increasing flights to current markets and adding new routes both domestically and internationally.

- ❑ The United States Congress has failed to move forward with a proposed amendment to the DCA Perimeter Rule. The rule limits the distance of nonstop flights to and from Reagan National Airport (DCA) to 1,250 miles unless an airport is granted a federal exemption.

Council Member Figueroa joined the meeting at 2:12 p.m.

#### **4. PRESENTATION/DISCUSSION**

Principal Eric Maneval, representing the auditing firm BeachFleischman, PLLC, presented. He noted that the FY 2022 audit reports are still undergoing a review and that additional comments and adjustments were sent by TAA the day prior to the meeting. The council members will be provided with a final version to review in the near future.

During the FY 2022 audit process, the auditors identified issues in the FY 2021 financial statements related to reported revenues on the SEFA (Schedule of Expenditures of Federal Awards). An investigation by TAA determined that the FY 2021 SEFA report needed to be corrected and reported in the Single Audit Report (SAR). TAA staff also discovered some lesser material items that they wanted to correct in the FY 2021 financial statements; therefore, both the documents are being reissued.

Mr. Maneval noted that TAA's adoption of the Governmental Accounting Standards Board Statement No. 87 (GASB 87) accounting standards in FY 2022 materially impacted TAA's financial statement in that TAA now has to include future estimates of assets and liabilities related to lease agreements. These estimates are appropriate given the circumstances. Other significant estimates that were reported in the financial statements include TAA's public safety pension obligations and environmental liability accruals.

TAA and BeachFleischman agree that all of the needed adjustments have been made and that the FY 2022 balances are correct. All that remains is to finalize the footnote disclosures, complete the MD&A (Management Discussion and Analysis), and the supplementals in order to produce the final reports.

Vice President/Chief Financial Officer Kim Allison explained that the material weaknesses discovered throughout the process are not fraud in and of themselves. If fraud had been discovered, TAA would not have received an unmodified, clean opinion from BeachFleischmann. Rather the material weaknesses are areas which lack internal controls to ensure items are recorded properly. If not dealt with, these issues have the potential to cause significant problems over time. In this case, TAA was awarded some unique federal grants in 2020, during the COVID-19 pandemic. The TAA recorded the receipt of these grants in the year they were received rather than the year they were earned, which caused the material weakness in FY 2021. This error was discovered by the auditors when

they were auditing the FY 2021 financial statements, which led to the re-statement of the FY 2020 report.

There was similar issue in FY 2022. Invoices related to other grants were received in FY 2023 when they should have been received and recorded in FY 2022. The Finance Department has made a concerted effort to educate TAA staff on the importance of receiving invoices in a timely manner. They have also re-structured their internal process and educated finance staff on the guidelines for the SEFA (Schedule of Expenditures of Federal Awards).

## 5. ACTION ITEMS

Mr. Maneval summarized the findings of the FY 2021 ACFR re-statement and the FY 2022 ACFR:

### FY 2021:

- The opinion on the FY 2021 financial statements will remain unmodified.
- The opinion on the single audit will remain unmodified.
- There are no changes to or a reissuance of the Passenger Facility Charge (PFC) Program Report.

### FY 2022:

- TAA will receive an unmodified opinion on the FY 2022 financial statements.
- TAA will receive an unmodified opinion on the single audit
- There are no changes to the PFC Program Report.

#### a. **TAA Annual Comprehensive Financial Report Re-Statement for FY 2021**

**Motion by Council Member Villicaña, seconded by Council Member Figueroa, to recommend to the Board of Directors that it accept the restatement of the FY 2021 Annual Comprehensive Financial Report and the associated audit opinion as presented by BeachFleischman, PLLC. The motion carried by the following vote:**

**Ayes     5     Chair Smallhouse, Council Member Villicaña, Council Member Lyons, Council Member Figueroa, and Council Member Baena**

**Nays     0**

#### b. **TAA Annual Comprehensive Financial Report Audit for FY 2022**

**Motion by Council Member Figueroa, seconded by Council Member Lyons, to recommend to the Board of Directors that it accept the FY 2022 Annual**

**Comprehensive Financial Report and the associated audit opinion as presented by BeachFleischman, PLLC. The motion carried by the following vote:**

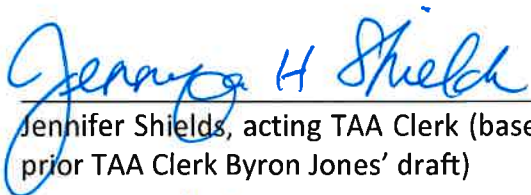
**Ayes 5 Chair Smallhouse, Council Member Villicaña, Council Member Lyons, Council Member Figueroa, and Council Member Baena**

**Nays 0**

**6. ADJOURN**

There being no further business to discuss, Chair Smallhouse adjourned the meeting at 2:39 p.m.

**PREPARED BY:**

  
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Jennifer Shields, acting TAA Clerk (based on prior TAA Clerk Byron Jones' draft)

Date: 4/1/2025