COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

TUCSON AIRPORT AUTHORITY

TUCSON, ARIZONA

2016

TUCSON AIRPORT AUTHORITY
TUCSON INTERNATIONAL AIRPORT • RYAN AIRFIELD

2016

TUCSON AIRPORT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Prepared by the Finance Department
Years Ended September 30, 2016 and 2015

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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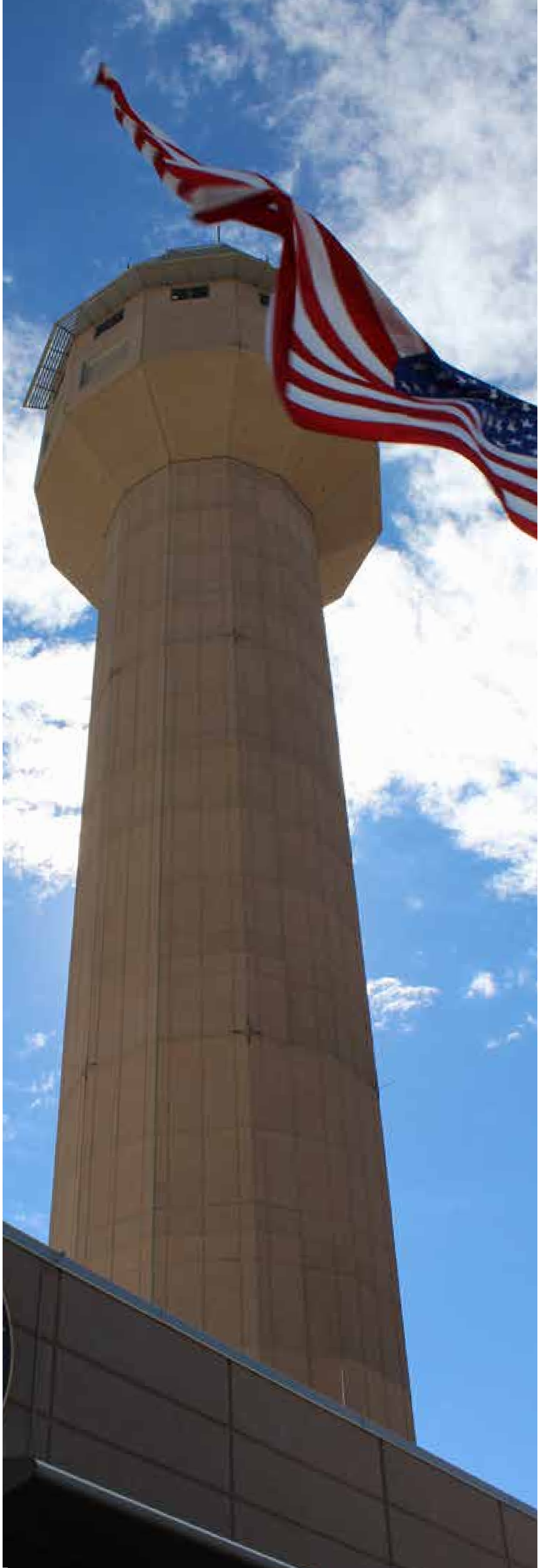

INTRODUCTION

TUCSON
AIRPORT AUTHORITY
TUCSON INTERNATIONAL AIRPORT • RYAN AIRFIELD

March 31, 2017

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, 2016. 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).

A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Authority in accordance with auditing standards generally accepted in the United States of America. The Authority's independent public accountants issued unmodified opinions on the Authority's financial statements for the years ended September 30, 2016 and 2015. The Audit Report is located at the front of the financial section of this CAFR.

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 (TIA) and Ryan Airfield (Ryan) as an essential government function under Arizona law.

Prior to 2014, the Authority's bylaws called for active membership of up to 115 individuals who are residents of TIA's service area. The bylaws were amended in 2014 to reduce the maximum number of active members to 85. During a transition period, the number of active members is allowed to temporarily exceed 85. There were 99 active members as of September 30, 2016. Vacancies are filled through a nomination process and election by active members at each annual meeting.

The Authority is governed by a Board of Directors (Board) consisting of no more than eleven and no less than seven 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, 2016 there were nine elected and two ex-officio board members. Directors receive no salary or compensation for their services, but by resolution of the Board may be reimbursed for actual expenses paid or obligated to be paid in connection with services rendered solely for the benefit of the Authority.

The Board appoints the CEO, who serves at its pleasure. The Authority's staff is organized into two divisions, each managed by a Vice President appointed by and reporting directly to the CEO. These two divisions are Administration and Finance, and Operations and Projects. 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, 2016.

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

Organization (continued)

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

On October 14, 1948, the City and the Authority entered into a 25-year lease for TIA. 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 TIA lease obligates the Authority to make rent payments to the City, calculated by taking gross operating revenues and deducting operating expenses and certain other funding requirements. The Arizona Superior Court, in and for the County, approved the validity of the lease and ruled that in calculating rents due the City, the Authority may deduct a sum equal to the total amount required to pay all of its outstanding obligations, regardless of what amount may be due in any year. The Authority has not been required to make any payments to the City under this formula and does not expect an obligation to do so while its revenue bonds are outstanding.

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

Economic Conditions and Outlook

2016 Air Travel Industry Recap

2016 marked another year of strong growth in passenger numbers for U.S. airlines, however, seat capacity grew at an even higher rate. This created a competitive pricing environment and lower fares, negatively impacting airline revenues. On the expense side, rising labor costs more than offset even lower fuel costs as compared to 2015. On balance, airline trade group Airlines for America estimated that U.S. airlines combined earned $22.3 billion in pre-tax profit in 2016 compared to $23.3 billion in 2015. By historical standards, 2016 industry profits were still near record levels.

According to figures from the U.S. Department of Transportation Bureau of Transportation Statistics, total domestic passengers in 2016 increased 3.3% from the previous year. With the increase in airline seat capacity exceeding the increase in passenger seat miles in 2016, domestic airline average load factor decreased slightly to 84.6% from the record high of 85% in 2015. An improving U.S. economy is credited for the increase in passengers.

Overall airline domestic capacity growth was a healthy 5.1% in 2016. Unlike in recent years, the rate of increase at small and medium hub airports was greater than at large hub airports. However, small and medium hub airports still lag far behind large hubs in making up airline seat capacity lost during the economic recession of 2008.

Experiencing sustained profits and mindful of recent historically high oil prices, 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.

2017 Air Travel Industry Outlook

The financial health and profitability of U.S. airlines is expected to continue in 2017 due to stable jet fuel prices, and an expectation of relatively 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. Domestic capacity growth of 5.1% in 2016 was driven primarily by low cost and ultra-low cost carriers, but also by legacy carriers, who in recent years had shown only marginal overall capacity growth. As opportunities for profitable growth at large hug airports have declined due to recent capacity growth at those airports, airlines are expected to continue to look to small and medium hub airports for growth opportunities.

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 had an estimated population of 1,016,206 as of July 1, 2016, which represents an increase of 0.6% from July 1, 2015. 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 and 31% of the population that 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 TIA.

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.

Arizona's rapid population growth leading up to the economic recession that began in 2008 led to a thriving homebuilding industry. Reliance on this industry for economic growth contributed to Arizona and Tucson being among the hardest hit areas in the country with the burst of the housing bubble beginning in 2007. The nationwide recovery from the recession has been slow, and Arizona and Tucson have lagged the rest of the country due primarily to the dramatic slowdown in population growth and very weak recovery in homebuilding. Federal fiscal drag due to the federal spending sequester and other federal budget cuts, as well as state and local fiscal drag, have also negatively impacted Tucson, with 21.9% of Tucson's 2014 GDP being comprised of federal civilian and military and state and local government. This compares to 12.4% for the U.S. and 13.8% for all of Arizona.

Tucson's economy began accelerating in 2016 and this trend is expected to continue in 2017. The Eller College of Management's Economic and Business Research Center at the University of Arizona expects job growth in 2016 to be 1.4%, which would be the fastest pace since 2012. This compares to job growth of just 0.6% in 2015, and growth of 2% is expected in 2017. The new jobs are spread over a wide range of industry categories including education and health services; leisure and hospitality; professional and business services; trade, transportation and utilities; and manufacturing. George W. Hammond, Director of the Eller College of Management's Economic and Business Research Center at the University of Arizona, in the December 2016 issue of Arizona's Economy, notes that "Overall, Arizona's growth is on track for solid performance: above the national rate in most cases, but slower than our historical averages".

Air Service at Tucson International Airport

TIA 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. TIA 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. TIA's competitive position is strengthened economically through its relationships with key air service stakeholders that include Visit Tucson (the area's convention and visitor's bureau), the Metropolitan Tucson Chamber of Commerce, the Southern Arizona Leadership Council and Sun Corridor, Inc. (the area's economic development organization).

Air Service at Tucson International Airport (continued)

The Authority's primary objectives are to accommodate air service 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

Economic Conditions And Outlook (continued)

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 markets appropriate for shorter-range point-to-point domestic service, as well as establishing scheduled service to key destinations in Mexico and Canada.

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

Like most airports nationwide, TIA 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 TIA and having relatively greater proportions of leisure travelers (as TIA 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 TIA, 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 TIA. 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.

TIA's total passenger traffic rose from 3,181,901 in FY 2015 to 3,228,389 in FY 2016, an increase of 1.5%. This followed passenger decreases of 1.8% in FY 2015 and 2.1% in FY 2014. Total scheduled inbound/outbound seat capacity in FY 2016 increased 3.1% from FY 2015, after a decrease of 2.8% in the previous year.

Sixteen destination airports were served nonstop from TIA in FY 2016, which was unchanged from FY 2015. The nonstop destinations served in FY 2016 were:

The most significant air service developments in FY 2016 were United's addition of daily seasonal service to Chicago O'Hare, joining American on that route, and United continuing to use larger aircraft on some of its multiple daily flights to Denver. A number of airlines continued to make changes to their fleets serving TIA as part of their overall fleet renewal programs. American began upgrading their DFW and ORD routes from MD-80 to larger 737-900 aircraft, and Delta and

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

United increased use of 70 and 76 seat regional jets in place of 50 seat regional jets on routes to DEN, IAH, SLC and SFO. For the most part, flight frequencies were adjusted on these routes resulting in little change to seat capacity.

The FY 2017 outlook for scheduled carrier service at TIA is positive. American added one daily flight to New York JFK starting in October 2016. Service to New York had been a top air service priority since the most recent flights from TIA to New York were suspended in 2008. Another long-standing priority for nonstop service to Mexico was also filled with Aeromar's new four times weekly flight to Hermosillo, Sonora beginning in October 2016. Southwest announced once weekly seasonal service to Oakland starting in winter 2016. United announced that its seasonal ORD service would become year-round in summer 2017. Finally, Alaska recently announced new daily service to San Jose, CA will begin in August 2017.

Air Service at Tucson International Airport (continued)

The Authority believes that sufficient demand exists for year-round daily service to destinations such as Albuquerque, Boston, Charlotte, Detroit, Philadelphia, Washington, D.C., and additional cities in Mexico. Seasonal service from one

Economic Conditions And Outlook (continued)

or more Canadian cities is 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 in efforts to secure new routes. Strong financial support from community businesses made the New York service possible and if it can be sustained, makes the likelihood of success in obtaining other new service in FY 2017 more likely.

Major Initiatives

CAPITAL IMPROVEMENT PROGRAM

The Authority's Board and management are responsible for the development of TIA and Ryan. As such, the Board approved Master Plan Updates for TIA in 2013 and for Ryan in 2011 that set out overall development plans to address future airport capital needs. The TIA 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 TIA and Ryan.

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), the Federal Emergency Management Administration (FEMA), Passenger Facility Charges (PFCs) and local Tucson Airport Authority (TAA) revenues.

FY 2016 Completed CIP Construction and Projects at TIA (greater than $75,000)

Buffelgrass Mitigation-Phase 4. This project provided a chemical treatment to remove buffelgrass, an invasive and highly flammable non-native plant, from airport property. Funding: FEMA/TAA. Cost: $379,200. Contractor: Northwest Landscaping.

Main Terminal Apron Reconstruction. This project provided for the removal of the existing 12" concrete terminal apron that was at the end of its useful life and replaced it with 16" concrete. The project was a multiphase project to minimize impacts to airline operations and to spread FAA and ADOT funding over several years. Funding: FAA/ADOT/TAA. Cost: $42 million. Consultant: Stantec Consulting. Contractor: Granite Construction.

Taxiway Lighting and Signage. This project provided for the installation of taxiway lighting & lighted signs at Taxiway B (west of Runway 21, 6,000 linear feet), Taxiway B (Runway 21 & Taxiway D, 1,500 linear feet), Taxiway A13 (south of Runway 11R, 3,000 linear feet), Taxiway D1 (west of Runway 21, 1,000 linear feet), general aviation ramp (at ATCT 1,000 linear feet) and Taxiway A5 (Taxiway A to Bombardier, 7,600 linear feet). Funding: ADOT/TAA. Cost: $778,046. Consultant: Monrad Engineering. Contractor: Corbins Service Electric.

Electrical Upgrades for Airfield Lighting. This project provided for the installation of upgraded runway edge lighting and cabling for Runway 3/21, installation of new cabling and isolation transformers for Runway 11L/29R semi-flush lighting, installation of new cabling in remaining taxiway edge light circuits, installation of grounding for all existing signs, pull boxes and manholes and other airfield signage improvements. Funding: ADOT/TAA. Cost: $1,567,334. Consultant: Monrad Engineering. Contractor: Corbins Service Electric.

Jet Bridge Replacement. This project included the removal and replacement of five obsolete jet bridges. Funding: TAA. Cost: $2,464,875. Contractor: JBT Aero Tech.

CAPITAL IMPROVEMENT PROGRAM (continued)

Airfield Safety Enhancement (ASE) Implementation Study. This project provided for the development of the purpose

Major Initiatives (continued)

and need for the airfield safety enhancement program. Funding: FAA/ADOT/TAA, Cost: $400,000. Consultant: HNTB Corporation.

FY 2016 Completed CIP Construction and Projects at Ryan (greater than $75,000)

Install Runway 15/33 and Taxiway D Lighting and Signage. This project provided for the installation of MIRL and MITL systems and signage on Runway 15/33, Taxiways D, D1, D2, D3 and E with appurtenances and Pilot Control Lighting on Runway 6. Funding: FAA/ADOT/TAA. Cost: $1,549,994. Consultant: CR Engineers, Inc. Contractor: Rural Electric.

FY 2016 CIP at TIA – Ongoing and New Projects (greater than $500,000)

TAA Administrative Office Relocation. $4.9 million. Relocation of TAA employees to the third level of the Terminal which will make the former administrative office buildings available for lease.

Buffelgrass Mitigation - Phase 5. $832,250. Chemical treatment to remove buffelgrass from airport property.

Replace ARFF Vehicle. $950,000. Purchase replacement Aircraft Rescue & Fire Fighting (ARFF) vehicle for TAA vehicle 212/AP763. 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 existing main terminal parking lot at TIA. 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 building.

Reconstruct Runway 11L/29R, Connecting Taxiways & Shoulders (Design). $740,000. Design for the mill and overlay of Runway 11L/29R, connecting taxiways and shoulders.

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

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.

FY 2016 CIP at Ryan – Ongoing and New Projects (greater than $500,000)

Security Fence Upgrade - Phase 2. $945,000. This project is to install 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).

Security Fence Upgrade - Phase 3. $978,000. 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.

Airport Pavement Management System – Taxiways. $626,400. Rehabilitate existing pavement and markings at portions of Taxiways B4 and Taxiway D.

Reconstruction of Restaurant Apron. $1.6 million. Reconstruction of the aircraft apron asphalt pavement (approximately 24,586 square yards) adjacent to the restaurant and the airport administration building.

MAJOR MAINTENANCE PROGRAM

Major Initiatives (continued)

The Authority's Board and management are responsible for the maintenance of TIA and Ryan. 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 2016 Completed MMP Projects at TIA (greater than $75,000)

Fire Station Restroom Renovation. This project provided for the renovation of three restrooms in the fire station. Cost: $112,456. Contractor: Sellers & Sons.

TIA Airside Pavement Management Update. This project provided for the update of the Pavement Management System Plan which is required every three years. Cost: $149,855. Consultant: RDM International, Inc.

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 2016 totaled $7 million. The FAA has awarded $111 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 2016 totaled $616,284. ADOT has awarded $18.5 million to the Authority during the past ten years.

The Authority also received funding from the Transportation Security Administration Advanced Surveillance Program (ASP) for Phase 1 of the CCTV/LAN Redundancy Project in the amount of $2.7 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, TIA 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 TIA 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 September 1, 2017. As of September 30, 2016, the Authority had earned $112,622,219 in PFCs since the inception of the program, plus associated interest.

The current $4.50 PFC is expected to continue generating between $5.5 million and $6.0 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 TIA 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 2016 was an active year for leasing of non-airline related Authority-owned facilities. Some of the more significant activity included the following:

- Aerovation, Inc., an aerospace engineering and development company with a number of leased properties at TIA, partnered with the Authority to make significant 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. These hangar improvements and the additional office space help meet Aerovation's growing business needs.
- The Transportation Security Administration relocated from an off-airport site and leased a previously vacant Authority-owned office building.
- The Authority's Board approved a 30-year lease for Premier Aviation to redevelop its existing FBO site including the construction of a new office and hangar building, reconstruction of the aircraft apron and demolition of obsolete structures to make room for additional aircraft parking.
- Agreed to terms with Raytheon Missile Systems on a new long-term land lease for their corporate headquarters and R&D operation located at TIA. The new lease includes an additional 21 acres of land and consolidates nine existing leases into one. Additionally, the lease provides for over $100 million in new facility expansion that is expected to accommodate 1,900 new jobs over the next five years.

The Authority continues to be an active participant with local government entities and other stakeholders in efforts to develop hundreds of acres of increasingly valuable vacant land south of TIA. The Authority sold land in this area to Pima County in FY 2015 for the relocation of Hughes Access Road. The new road was completed in December 2015 and renamed Aerospace Parkway. The new road was the first phase of a plan to create a high-speed bypass road connecting Interstate 19 with Interstate 10, the Port of Tucson and the University of Arizona Tech Park. The Authority, the County and other local economic development stakeholders are working toward development of the area surrounding the new Aerospace Parkway into a business park that will be ideally suited for large-scale manufacturing companies, as well as transportation, distribution and logistics companies. With significant land holdings in the corridor, the Authority is positioned to benefit substantially from potential non-airline revenue from land leases. Significant progress was made in 2016 on bringing utility infrastructure into the area and discussions have begun on the possibility of rail service.

Since the announcement of their merger in February 2013, discussions and planning had been ongoing with American and US Airways on the timing and logistics of how their operations will be consolidated at TIA. A key consideration in the planning has been to maintain passenger throughput balance between the two terminal concourses to ensure high levels of customer service for security checkpoint and outbound baggage processing, as well as to maximize customer service and revenue generating potential for concourse concession operations. In September 2016, as a result of a collaborative effort between the Authority and our airline partners to achieve these objectives, American Airlines completed consolidation of its operations on Concourse B (American had been operating on Concourse A and US Airways on Concourse B), and United Airlines relocated its operations from Concourse B to Concourse A. A Terminal Optimization Study was completed in 2012 that provided analysis of the adequacy and layout of existing terminal facility space including security checkpoints, concession space and mechanical systems, as well as outbound baggage systems. The study included development of a preferred design concept to utilize existing vacant ticket counter lobby space for new and expanded security checkpoints. The plan also called for significant additional terminal square footage to be made available for revenue generating post-security concessions opportunities. Further, the recommendations also included ways to consolidate Authority staff within the terminal complex and make the Authority's then Administration Building and a portion of another building near the terminal available for lease to third parties. Construction of the Authority's new administrative office space in the terminal building was completed during FY 2015 and staff occupied the space beginning in October 2015. Construction on the remaining components of the Terminal Optimization Project started in June 2016.

Major Initiatives (continued)

LEASING, BUSINESS DEVELOPMENT AND CONCESSION ACTIVITY (continued)

Requests For Proposals (RFPs) were 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. 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 that are expected to substantially improve concession revenues upon build-out of the new spaces.

A key business objective of the Authority is to retain passengers who live in the Tucson area and prevent leakage to other airports. Making use of TIA a pleasurable, convenient and low-stress experience is an important part of achieving this objective. In order to measure our level of success, annual passenger intercept surveys were introduced in 2013, and have been conducted in a scientific manner by a professional survey company to be statistically accurate. The fourth survey conducted in FY 2016 continued to show impressive results that have been achieved since the initial survey. In the 2016 survey, 96.5% of those surveyed were either very satisfied or satisfied with their overall experience at TIA.

Financial Policies and Practices

INTERNAL CONTROL ENVIRONMENT

The Authority is responsible for establishing and maintaining internal controls designed to ensure that its assets are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Authority is also responsible for ensuring that adequate internal controls are in place for documenting compliance with applicable laws and regulations related to these programs. This internal control is subject to periodic evaluation by management, internal audit staff and external independent accountants.

In addition, the Authority maintains extensive budgetary controls. The objective of these controls is to ensure compliance with various legal and regulatory provisions such as grant assurances and FAA regulations, as well as to ensure funds are expended according to management's direction.

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 (TIA and Ryan). 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.

Financial Policies and Practices (continued)

BUDGETARY CONTROLS (continued)

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, with options to extend for two additional one-year periods. 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 TIA with the recent use agreement extensions in order to allow the Authority more flexibility to accommodate future growth in air service.

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

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

- *Operation and Maintenance Expenses* — in addition to day-to-day operating requirements, this item provides for capital needs, short-term debt obligations, and any other requirements not included elsewhere in the formula.
- *Debt Service Requirements* — includes 125% of the principal and interest payments due in accordance with senior lien revenue bond resolutions and debt amortization schedules. The 25% excess is called "coverage." For subordinate lien revenue bonds where other revenue sources such as PFCs are not pledged for debt service, the excess coverage requirement is 10%. Providing coverage fulfills a covenant in the bond resolutions that requires this surplus as assurance to bond holders that adequate funds will be available to pay debt service requirements on a timely basis. In the normal course of business, the coverage is not needed and it flows through the airport system.
- *Fund Replenishments* — 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 TIA.
  - Interest income earned from the investment of monies accumulated in the Special Reserve Fund and Insurance Reserve Fund.

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

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

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

Financial Policies and Practices (continued)

LONG-TERM FINANCIAL PLANNING

One of the tools the Authority uses for long-term planning is the Master Plan, which was last updated for TIA 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 TIA through the year 2030. Capital improvements recommended by the plan are demand-driven. This means that although there are a large number of projects proposed by the plan, only those that are needed as a result of actual increase in demand will be constructed. The most recent Master Plan Update for Ryan was completed in 2011. The plan is available for viewing on the Authority's website, flytucson.com.

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

CASH MANAGEMENT AND INVESTMENTS

The Authority invests cash as permitted under the Amended and Restated Senior Lien Airport Revenue Bond Resolution dated November 28, 2006, and according to internal policies and applicable state statutes. The single most important objective under these policies is to preserve the principal of funds within the portfolio. The portfolio is managed to ensure that funds are available as needed to meet immediate and projected future operating requirements and to maximize the return on investments within the constraints of the resolutions, policies and state statutes.

While other forms of investments are permitted, cash is most commonly invested in direct obligations of, or obligations guaranteed by the United States of America and obligations of specific agencies of the United States of America. Funds awaiting investment are held in U.S. government security money market funds. Investments are insured, registered or held by a trustee in the Authority's name.

At September 30, 2016, the investments held by the Authority yielded interest ranging from 0.403% to 1.763% and mature on various dates through September 27, 2021. The portfolio balance, at cost, was $154.3 million with an average yield to maturity of 0.997% and average days to maturity of 776.

Additional detailed information on cash and investments may be found in the financial section (Note 3) of this report.

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 2016 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.

Financial Policies and Practices (continued)

CAPITAL FINANCING AND DEBT MANAGEMENT (continued)

The Authority purchased bond insurance on its outstanding subordinate lien revenue bonds in order to enhance the credit rating at the time of issuance. Credit market turmoil during the U.S. economic downturn that began in 2008 resulted in a series of downgrades of credit insurers by the three major U.S. credit rating agencies. Due to these insurer downgrades, the Authority's current insured bond ratings are now equivalent to the underlying credit rating, which is based solely on the rating companies' assessments of the Authority's financial strength. The following table summarizes the insured and underlying credit ratings of the Authority's outstanding revenue bonds at the time of issue and as of March 2017:

		Ratings at Issue Date		March 2017 Ratings	
Issue/Rating Agency	Bond Insurer	Insured	Underlying	Insured	Underlying
2001 Subordinate	Ambac				
Moody's		Aaa	A3	*	A2
Fitch		AAA	A	*	A
Standard & Poor's		AAA	A-	*	*
2006 Subordinate	MBIA				
Moody's		Aaa	A2	B3	A2
Fitch		AAA	A	*	A
Standard & Poor's		#	#	#	#

* - rating withdrawn
# - not rated

Detailed information on long-term debt may be found in the financial section (Note 7) of this report.

RISK MANAGEMENT

It is the objective of the Authority to reduce or transfer risk where possible through a comprehensive insurance program and through various other means. One aspect of this is managed through the ongoing development and implementation of an effective safety program. The program is managed through a safety committee with representatives from the major work areas. The committee plans and implements proactive safety programs, identifies unsafe conditions, recommends remedial actions, monitors progress, and creates and maintains a library of materials that is available to departments for use in safety training. The Authority also structures its contractual relationships in such a manner as to transfer risk to the parties responsible for losses.

In partnership with its health insurer, the Authority also maintains an active employee wellness program to help increase the overall health and wellness of its workforce and their families. These efforts help to control health insurance claim costs and reduce absenteeism. An employee Wellness Committee, with financial and staff support from the Authority's insurer, conducts an annual Safety and Wellness Fair, as well as various events, contests, workshops, and wellness coaching sessions throughout the year.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The Authority participates in the Arizona State Retirement System (ASRS), which is a pension system for public employees in the State of Arizona. The State administers this defined benefit plan in accordance with Title 38, Chapter 5 of the Arizona Revised Statutes and it is overseen by a nine member board. Participation in ASRS is mandatory and automatic for all regular full-time Authority employees (excluding fire and police personnel) at the time of employment. The plan provides pension, long-term disability and death benefits, as well as a retirement health care premium subsidy. The Authority and covered employees are required to contribute at actuarially determined rates.

Financial Policies and Practices (continued)

PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

The Authority also provides retirement benefits to all full-time fire and police employees through the Arizona Public Safety Personnel Retirement System (ASPRS). This is also a defined benefit plan where the Authority and covered employees are required to contribute at actuarially determined rates. In addition to pension and disability benefits, this plan also offers a retirement health insurance premium subsidy.

Detailed information on the pension plans may be found in the financial section (Notes 2, 8 and 16 and the required supplementary information) of this report.

Other Information

COMMUNITY INVOLVEMENT

The Federal Aviation Administration completed construction and moved in to its new 250-foot tall air traffic control tower located on six acres of land provided by the Authority southwest of the airfield. The tower complex includes a 13,000 square-foot base building that houses computer equipment, administrative offices and a back-up power system designed to automatically activate in case of a commercial power outage. Numerous environmental features minimize the facility's energy and water uses. A 1,600-panel solar farm adjacent to the base building is expected to generate all of the facility's electrical needs for several hours a day on sunny days. At other times, the power it produces will supplement the facility's commercial power supply. The total project cost, including computer equipment, electronics, fire suppression systems, and heating and air conditioning, was about $42 million.

The Authority continued its green initiatives in FY 2016 with several projects. Incandescent medium intensity runway lights on Runway 3/21 were replaced with energy efficient LED lights. Refurbishment of the heat exchanger unit in the main terminal central plant HVAC system will save energy by allowing utilization of external air to help cool the terminal building. Installation of solar canopies over the parking lots in front of the terminal is continuing. When finished, the project is expected to generate about 68% of the energy required for the terminal complex.

During 2016, TAA was a part of events and activities for the betterment of the Tucson region in terms of both community involvement and economic development. Bombardier celebrated 40 years at TUS and was honored with a special art exhibit and recognized at the September meeting of the Authority's Board of Directors. A new lease agreement with Raytheon Missile Systems will help pave the way for the company to expand and add 1,900 more jobs. As part of the Raytheon agreement, the TAA exercised an option in its lease agreement with City of Tucson extending it to October 14, 2098.

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 2016 included events to collect donated items and raise funds for Toys for Tots, Special Olympics, Trees for Tucson, Casa de Los Niños, Youth On Their Own, Save the Horses, Primavera Foundation, Fisher House and Arizona Greyhound Rescue. In addition to the donated items, these events raised over $12,000 in cash for the various charities. AECE also organizes quarterly Red Cross blood drives at TIA. The Authority's Wellness Program was awarded the 2016 Well-Being Award by its health insurer, Cigna. The award is given to companies that go above-and-beyond in implementing and sponsoring a culture of health and wellness.

In April 2016, the second "Fly SAAFE (Southern Arizona Autism Flight Event)" program was held at TIA in partnership with the Tucson Alliance for Autism, the Transportation Security Administration, American Airlines and Liberty Center for Language and Learning, LLC. The event provided families who have a child or children with Autism Spectrum Disorder (ASD), the opportunity to have a "curb-to-plane" experience at the airport to be better prepared for travel. The flight rehearsal provided families the opportunity to simulate the steps involved in traveling through an airport, including airport parking, entering the airport, checking a bag, going through security, waiting at the gate, boarding the airplane, preflight safety, exiting the airplane, collecting their bag at baggage claim and departing the airport. This program is beneficial for children with autism as it allows the child to go through the airport and airplane travel process at their own pace, helping them to process what's going on and learn what to expect.

Other Information (continued)

COMMUNITY INVOLVEMENT (continued)

As the primary gateway to the region, the Authority is committed to ensuring a positive first and last impression for visitors and as stress-free as possible experience for all travelers, including residents of southern Arizona. Not only are there strong air service options, Tucson International Airport's facilities and amenities provide a comfortable respite for the traveler with changing exhibits in five art galleries inside the terminal and three designated performance areas used by local entertainers as part of the performing arts program, Live@TUS.

Last year, the airport hosted 27 exhibits featuring more than 90 artists. As part of TAA's community outreach efforts, the airport partnered with individual artists, local art groups, and area nonprofit organizations including the Tucson Jazz Society and their week-long festival, military services and an exhibit to remember, Veterans of All Ages, Southern Arizona Buffelgrass Coordination Center, and the Tucson Rodeo Parade Museum to create changing exhibits in the airport terminal.

The Authority also created exhibits throughout the passenger terminal featuring economic and educational partners like Bombardier Aerospace, celebrating 40 years at TIA, Arizona State Parks, celebrating 100 years of the National Parks Service, the University of Arizona College of Science celebration of 100 years with The Optical Society, the Arizona State Museum, Pima Community College's Louis Carlos Bernal Gallery, Sun Corridor, Inc., and Visit Tucson.

The performing arts program, Live@TUS, schedules a performance every other Wednesday afternoon and most every Friday and Saturday evening with a packed schedule of performances by local students during the holiday season.

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, 2015. This was the 22nd 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

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Tucson Airport Authority, Inc.
Arizona

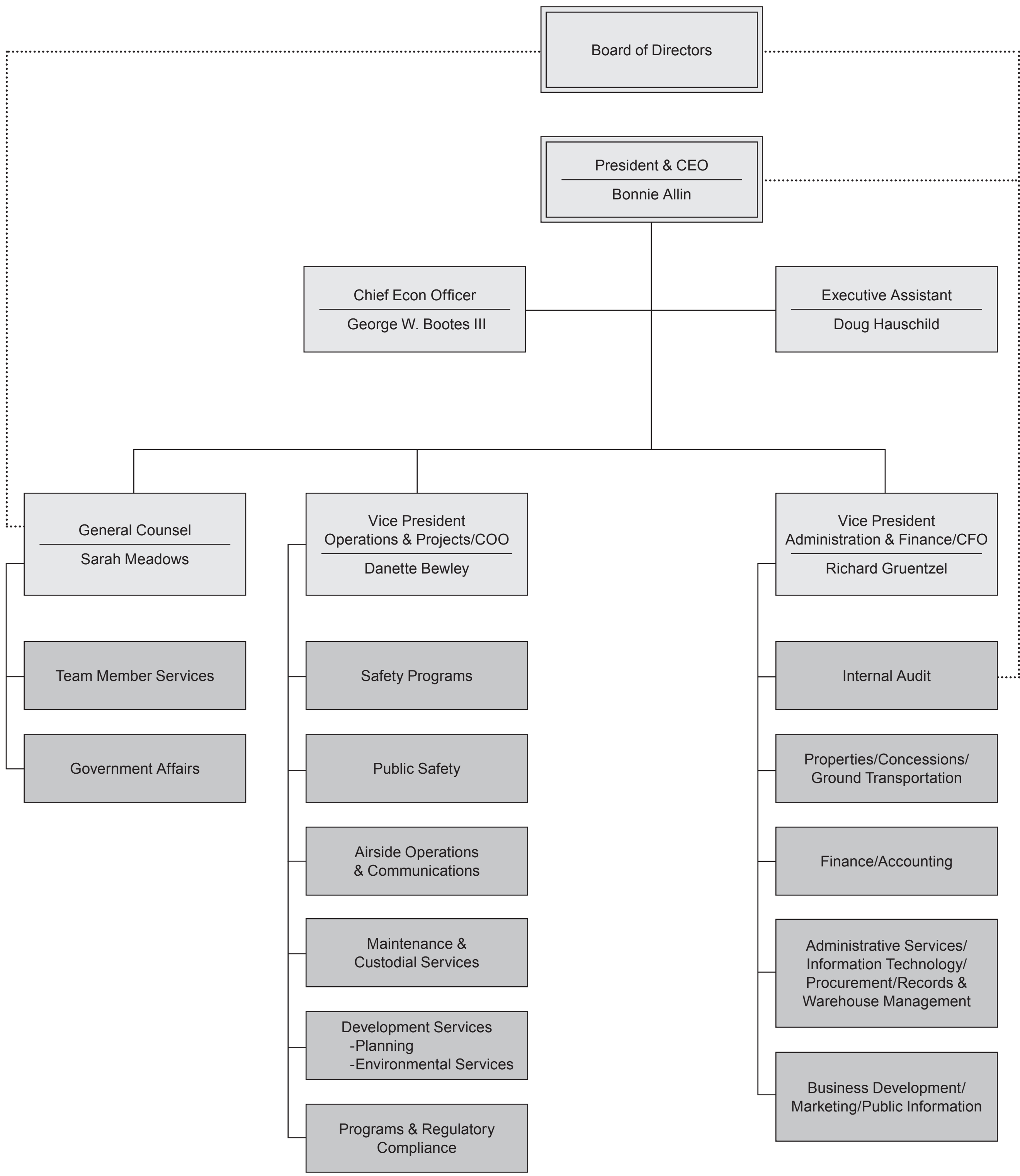
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Jeffrey R. Emer

Executive Director/CEO

Organizational Structure



Airlines and Tenants As Of September 30, 2016

PASSENGER AIRLINES

Aeromar

Alaska Airlines

American Airlines

Delta Air Lines

Mesa Airlines

Sierra Pacific

SkyWest Airlines

Southwest 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

Todd's Place Restaurant

Tucson Upholstery

Tyconic, Inc.

United Indian Missions

Velocity Air, Inc.

TUCSON INTERNATIONAL AIRPORT

AT&T

AAA Airport Cabs, LLC

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

Arizona Stagecoach

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

Delta Global Logistics

Discount Cab

Double Eagle Aviation Flight School

Federal Aviation Administration

Flash Cab, LLC

FlightSafety International, Inc.

GA Telesis, LLC

General Airframe Support

General Services Administration

Global Flight Relief

Granite Construction Company

Great American Shoe Shine Co.

Handy Hangars

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 Liaison Office

Million Air

OTG Management, Inc.

Parade Giants

Paradies - Desert House

Pickens Fuel Corporation

Pima Community College

Pizza Hut, Inc.

Premier Aviation

Prospect International Airport Services, Inc.

Real Air Hangar, Inc.

Raytheon Missile Systems

Simplicity Ground Services

Smarte Carte, Inc.

Southwest Airport Services

SOS Security

Southwest Heliservices

Spirit Aviation

Suarez International, Inc.

Surplus World

Taco Bron

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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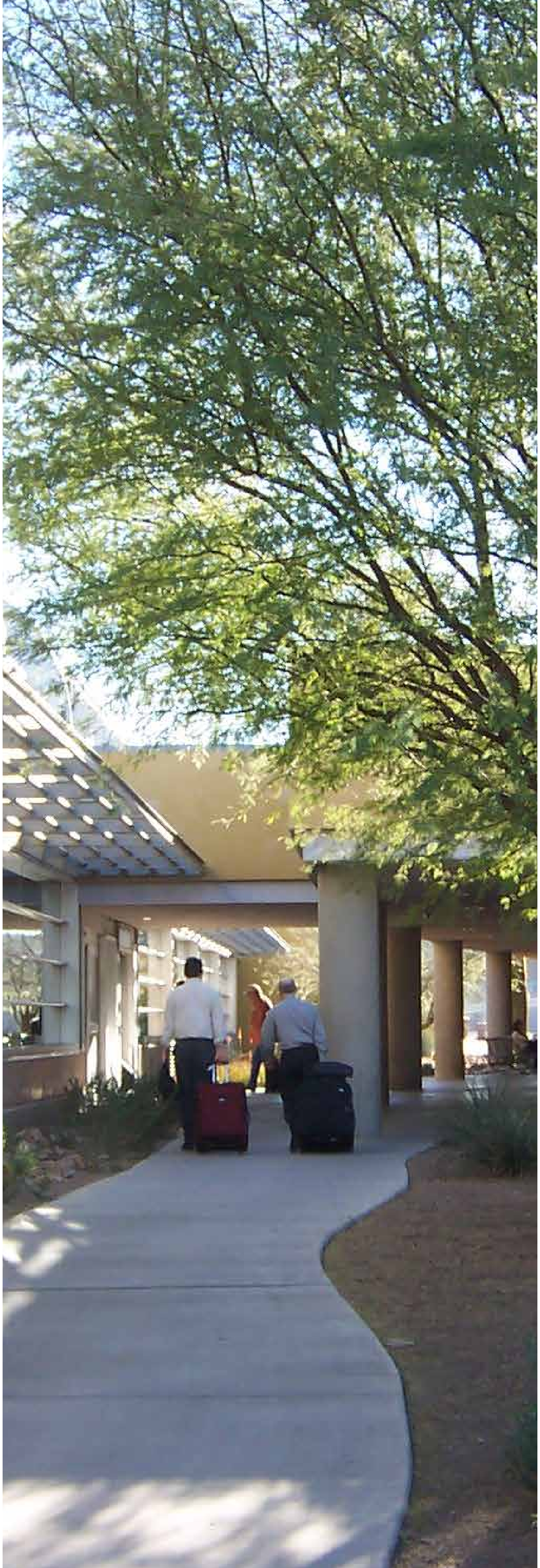


FINANCIAL SECTION

TUCSON AIRPORT AUTHORITY
TUCSON INTERNATIONAL AIRPORT • RYAN AIRFIELD

Independent Auditors' Report

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 statement of net position as of September 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.
Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 audit. We conducted our audit 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 audit 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, 2016, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior period financial statements

The financial statements of Tucson Airport Authority, Inc. as of September 30, 2015 were audited by other auditors, whose report dated April 28, 2016 expressed an unmodified opinion on those statements.

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.

Independent Auditors’ Report (continued)

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated March 3, 2017 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 3, 2017

Management's Discussion and Analysis

September 30, 2016

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, 2016 (FY 2016). Information for the two preceding fiscal years ended September 30, 2015 and 2014 (FY 2015 and FY 2014, 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 increased in FY 2016 at the Tucson International Airport (TIA) for the first time since the year ended September 30, 2011. Total passengers increased by 1.5% for FY 2016, which followed decreases of 1.8% for FY 2015 and 2.1% for FY 2014. Daily nonstop departures increased by one to 48 at the end of FY 2016 from 47 at the end of FY 2015, which followed a decrease of three departures from the previous year end. Daily nonstop departures are impacted by a number of factors and vary from month-to-month. The average daily seat capacity in FY 2016 was a 3.0% increase over FY 2015, which followed a decline of 2.8% in FY 2015 compared to FY 2014. The changes in passenger numbers over the last three years are largely driven by the changes in airline seat capacity. Airline seat capacity at TIA has been affected by changes in airline business models due to mergers and industry consolidation, lack of new entrant carriers, and emphasis on profitability of every route. These factors have combined to result in airlines adding flights that are perceived as being less risky between larger airports and cutting back on flights at small and medium sized airports like TIA.

Total aircraft operations (take-offs and landings) at TIA decreased 1.3% in FY 2016 after increasing 1.4% in FY 2015 and increasing 0.8% in FY 2014. Total FY 2016 operations comprised 62,152 general aviation operations, 50,429 air carrier and air taxi (passenger airline, cargo airline, and charter) operations and 26,974 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 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%. The primary changes in total aircraft operations in FY 2015 compared to FY 2014 were in military operations, which increased by 13.6% and air carrier and air taxi operations which decreased by 2.2%.

Landed weight increased by 5.2% in FY 2016 from FY 2015 to 1,995,482 one thousand pound units, after decreasing by 2.3% in FY 2015 and decreasing 4.0% in FY 2014. 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.

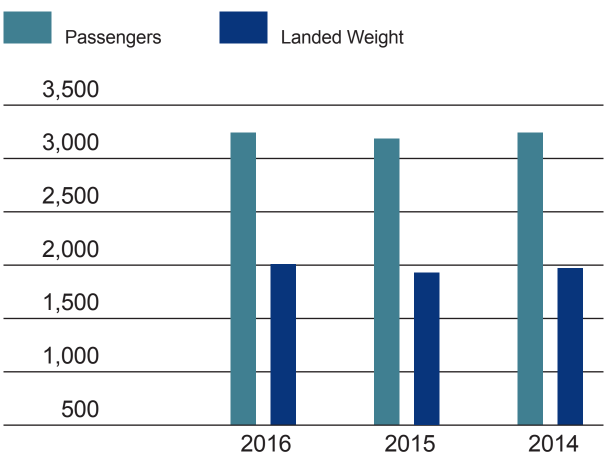
Mail and express cargo shipments decreased by 6.6% in FY 2016 from FY 2015, following an increase of 2.1% in FY 2015 and a decrease of 5.2% in FY 2014. The changes in mail and express cargo shipments in each of these years were primarily a result of changes experienced by Federal Express, the single major cargo carrier operating at TIA.

Five major domestic passenger carriers served TIA as of September 30, 2016, compared to six for each year 2013 – 2015. This decrease was a result of the merger of American Airlines and US Airways. American Airlines (including US Airways passengers for 2015 and 2014) and Southwest Airlines have dominated in both passenger activity and landed weight over the three reporting periods. These two carriers accounted for 68.7% of passenger traffic in FY 2016, 71.5% in FY 2015 and 68.7% in FY 2014.

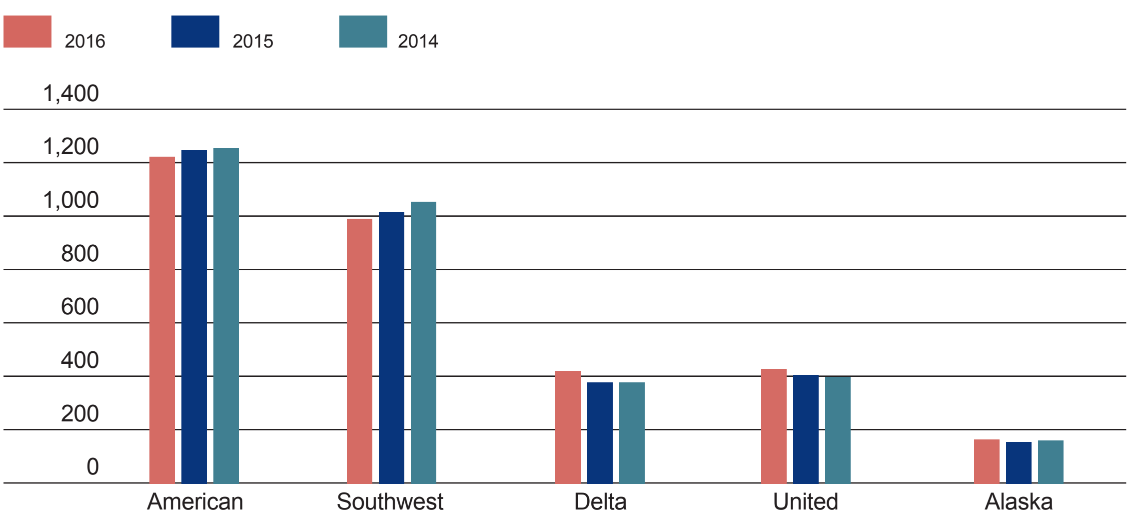
AIRPORT ACTIVITIES & HIGHLIGHTS (continued)

Activities & Highlights	2016	2015	2014
Total passengers	3,228,389	3,181,901	3,239,849
% increase/decrease(-)	1.5%	-1.8%	-2.1%
Average daily seat capacity	5,426	5,270	5,420
% increase/decrease(-)	3.0%	-2.8%	-2.6%
Aircraft operations	139,555	141,422	139,420
% increase/decrease(-)	-1.3%	1.4%	0.8%
Landed weight (1,000 lb. Units)	1,995,482	1,897,126	1,941,819
% increase/decrease(-)	5.2%	-2.3%	-4.0%
Mail & express cargo (pounds)	61,837,690	66,184,562	64,796,533
% increase/decrease(-)	-6.6%	2.1%	-5.2%

Total Passengers and Landed Weight (Thousands)

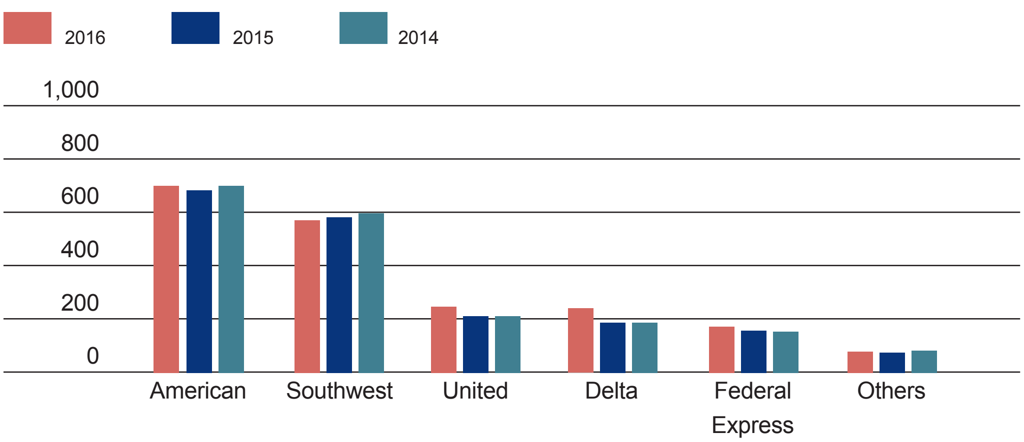


Passengers by Airline (Thousands)

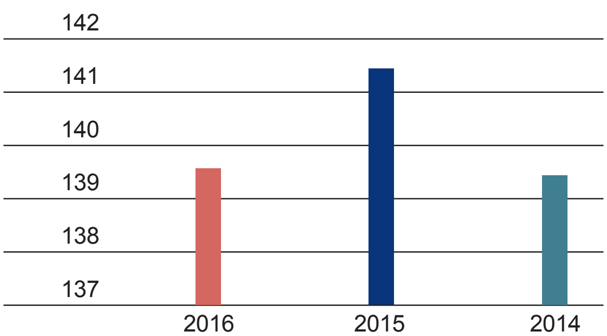


AIRPORT ACTIVITIES & HIGHLIGHTS (continued)

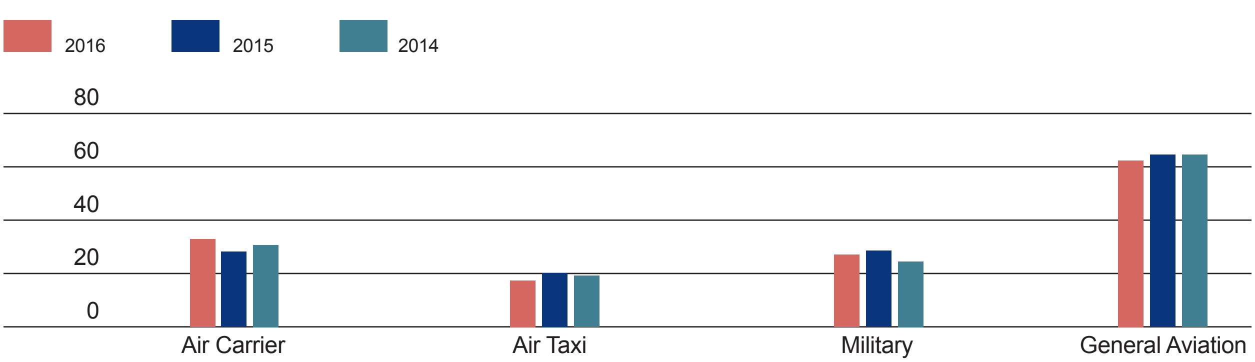
Landed Weight by Airline (Thousands)



Aircraft Operations (Thousands)



Operations by Type (Thousands)



FINANCIAL HIGHLIGHTS

The Authority's assets and deferred outflows exceeded liabilities and deferred inflows at the end of FY 2016 by $354.3 million, compared to $342.6 million and $325.7 million at the end of FY 2015 and FY 2014, respectively. Unrestricted net position for fiscal years 2016, 2015 and 2014 was $64.2 million, $58.5 million, and $54.8 million, respectively. The Authority experienced smaller increases in net position for FY 2016 and FY 2015 compared to the previous years as a result of decreases in capital contributions of $7.3 million and $11.5 million, respectively.

The Authority's total noncurrent liabilities decreased by $2.1 million in FY 2016 over FY 2015 and decreased by $3.1 million in FY 2015 over FY 2014. 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	2016	2015	2014
Operating revenues	$ 42,120,914	$ 41,986,785	$ 41,350,858
Operating expenses	(28,249,055)	(28,389,788)	(31,512,439)
Operating income before depreciation & amortization	13,871,859	13,596,997	9,838,419
Depreciation & amortization	(14,534,836)	(16,577,216)	(15,860,805)
Operating (loss)	(662,977)	(2,980,219)	(6,022,386)
Non-operating revenues	7,557,080	7,970,529	7,794,881
Non-operating expenses	(3,000,501)	(3,089,268)	(3,907,822)
Income (loss) before capital contributions	3,893,602	1,901,042	(2,135,327)
Capital contributions	7,812,027	15,074,095	26,622,392
Increase in net position	11,705,629	16,975,137	24,487,065
Net position, beginning of year	342,629,886	325,654,749	301,167,684
Net position, end of year	$ 354,335,515	$ 342,629,886	$ 325,654,749

Total operating revenues increased $.1 million (0.3%) in FY 2016 over FY 2015 and increased $.6 million (1.5%) in FY 2015 over FY 2014. Increases in operating revenues in FY 2016 were primarily related to increases in concession revenues offset by a decrease in airport services revenue. Increases in operating revenues in FY 2015 were primarily related to delays in the consolidation of airport operations of American Airlines and US Airways, as US Airways operated under a nonsignatory airport use and lease agreement in FY 2015 at a higher space rental rate as compared to signatory rates.

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. FY 2015 operating expenses decreased by $3.1 million (9.9%) over FY 2014, primarily due to a reduction in pension expense.

Non-operating revenues in FY 2016 decreased 5.2% compared to FY 2015 and FY 2015 non-operating revenues increased 2.3% compared to FY 2014. This was mainly due to fluctuations in passenger facility charge revenue, income on investments and gains on disposition of fixed assets. Non-operating expenses decreased in FY 2016 and FY 2015 by 2.9% and 20.9%, respectively, compared to the prior years. The FY 2016 decrease was due primarily to a reduction in interest expense of $.1 million. The FY 2015 decrease was due primarily to a reduction in environmental expense of $0.7 million.

Capital contributions in FY 2016 decreased by 48.2% from FY 2015 and FY 2015 capital contributions decreased by 43.4% 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	2016	2015	Increase (decrease)	% Increase decrease (-)
Assets				
Current (unrestricted)	$ 133,877,834	$ 133,439,870	$ 437,964	0.3%
Current (restricted)	39,897,298	37,853,181	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	472,732,339	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	$ 16,825,036	$ (4,506,924)	-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	131,006,159	(6,193,457)	-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	(5,443,993)	21.6%
Net position				
Net investment in capital assets	251,798,899	247,391,638	4,407,261	1.8%
Restricted	38,342,080	36,710,371	1,631,709	4.4%
Unrestricted	64,194,536	58,527,877	5,666,659	9.7%
Net position	$ 354,335,515	$ 342,629,886	$ 11,705,629	3.4%

FINANCIAL POSITION (continued)

Summary of Net Position	2015	2014	Increase (decrease)	% Increase decrease (-)
Assets				
Current (unrestricted)	$ 133,439,870	$ 127,875,330	$ 5,564,540	4.4%
Current (restricted)	37,853,181	35,689,811	2,163,370	6.1%
Net capital assets	301,385,318	293,319,305	8,066,013	2.7%
Other noncurrent assets	53,970	65,910	(11,940)	-18.1%
Total assets	472,732,339	456,950,356	15,781,983	3.5%
Deferred outflows of resources	3,753,950	4,400,998	(647,048)	-14.7%
Total assets and deferred outflows of resources	$ 476,486,289	$ 461,351,354	$ 15,134,935	3.3%
Liabilities				
Current (payable from unrestricted assets)	$ 16,825,036	$ 14,115,023	$ 2,710,013	19.2%
Current (payable from restricted assets)	1,142,810	1,452,759	(309,949)	-21.3%
Noncurrent	113,038,313	116,157,720	(3,119,407)	-2.7%
Total liabilities	131,006,159	131,725,502	(719,343)	-0.5%
Deferred inflows of resources	2,850,244	3,971,103	(1,120,859)	-28.2%
Total liabilities and deferred inflows of resources	133,856,403	135,696,605	(1,840,202)	-1.4%
Net position				
Net investment in capital assets	247,391,638	236,631,507	10,760,131	4.5%
Restricted	36,710,371	34,237,052	2,473,319	7.2%
Unrestricted	58,527,877	54,786,190	3,741,687	6.8%
Net position	$ 342,629,886	$ 325,654,749	$ 16,975,137	5.2%

FINANCIAL POSITION (continued)

Current unrestricted assets increased in FY 2016 over FY 2015 by $.4 million and in FY 2015 over FY 2014 by $5.6 million, due mainly to higher cash and investment balances. Current restricted assets increased by $2.0 million in FY 2016 compared to FY 2015 and increased by $2.2 million in FY 2015 compared to FY 2014. 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 $1.6 million in FY 2016 over FY 2015 and increased by $8.1 million in FY 2015 over FY 2014, both years being impacted by projects in the Authority’s capital improvement program.

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 a decrease 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. Current liabilities payable from unrestricted assets increased by $2.7 million in FY 2015 compared to FY 2014 due primarily to an increase in operating accounts payable, accrued expenses and environmental remediation payable, partially offset by reduced construction contracts payable. Current liabilities payable from restricted assets decreased by $.3 million in FY 2015 compared to FY 2014 due to the change in the current portion of environmental remediation payable. Total noncurrent liabilities decreased by $2.1 million in FY 2016 compared to FY 2015 and decreased by $3.1 million in FY 2015 compared to FY 2014. The FY 2016 and FY 2015 decreases were primarily due to normal debt service.

The largest portion of the Authority’s net position, 71.2% for FY 2016, 72.2% for FY 2015, and 72.7% for FY 2014, 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, 10.8% for FY 2016, and 10.7% for FY 2015 and 10.5% FY 2014, 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 $64.2 million for FY 2016, $58.5 million for FY 2015 and $54.8 million for FY 2014 may be used for any lawful purpose of the Authority.

REVENUES

In FY 2016, total revenues of $57.5 million were less than the prior fiscal year by 11.6%, whereas FY 2015 revenues of $65.0 million were less than FY 2014 by 14.2%.

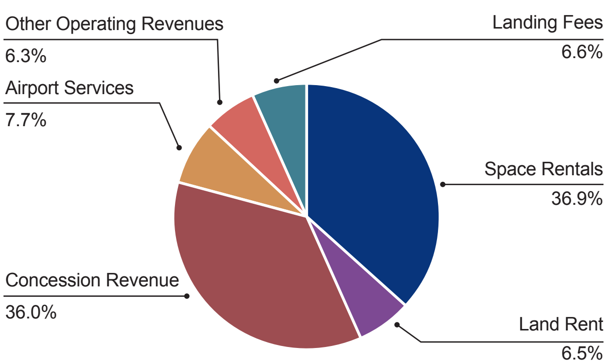
Operating revenues increased in FY 2016 over FY 2015 by $.1 million (0.3%). Revenue category changes included a $.2 million increase in landing fees, an increase of $.7 million in concession revenues, a decrease in airport services of $.5 million and a decrease in other operating revenues of $.2 million. 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)

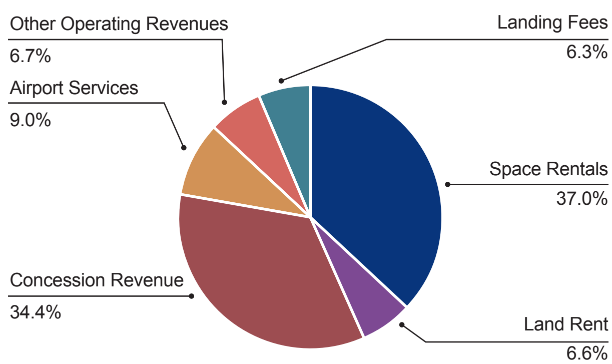
Revenues by Major Source	2016	2015	Increase (decrease)	% Increase decrease (-)
Landing fees	$ 2,793,333	$ 2,638,511	$ 154,822	5.9%
Space rentals	15,563,025	15,516,879	46,146	0.3%
Land rent	2,754,715	2,767,584	(12,869)	-0.5%
Concession revenue	15,146,036	14,458,462	687,574	4.8%
Airport services	3,239,181	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



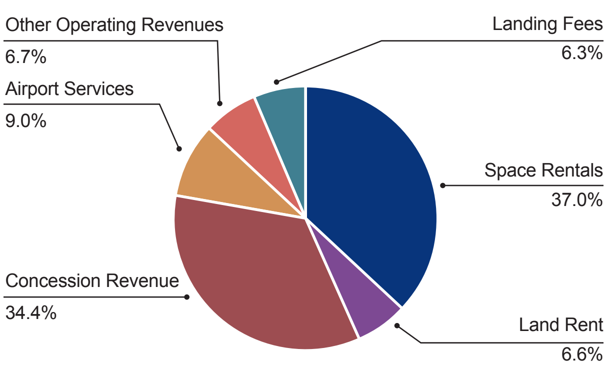
Operating revenues increased in FY 2015 over FY 2014 by $.6 million (1.5%). Revenue category changes included a $.8 million increase in space rentals and a decrease in other operating revenues of $.2 million. The increase in space rentals was related to US Airways operating as a nonsignatory airline at higher rental rates for FY 2015. Other operating revenue decreases resulted from transfer of general aviation fueling to private operators at Ryan Airfield in January 2014 and reduced fuel flowage fees as TAA discontinued commercial carrier fueling operations at Tucson International Airport in February 2014.

REVENUES (continued)

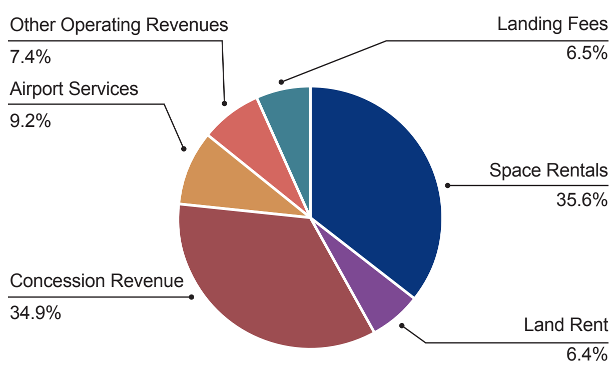
Revenues by Major Source	2015	2014	Increase (decrease)	% Increase decrease (-)
Landing fees	$ 2,638,511	$ 2,677,840	$ (39,329)	-1.5%
Space rentals	15,516,879	14,712,712	804,167	5.5%
Land rent	2,767,584	2,663,514	104,070	3.9%
Concession revenue	14,458,462	14,442,602	15,860	0.1%
Airport services	3,787,935	3,813,682	(25,747)	-0.7%
Other operating revenues	2,817,414	3,040,508	(223,094)	-7.3%
Total operating revenues	41,986,785	41,350,858	635,927	1.5%
Interest income	1,383,045	1,003,767	379,278	37.8%
Net increase (decrease) in fair value of investments	407,702	147,571	260,131	176.3%
Passenger facility charges	6,010,676	6,135,127	(124,451)	-2.0%
Gain on disposition of fixed assets	169,106	488,968	(319,862)	-65.4%
Other non-operating revenues	-	19,448	(19,448)	-100%
Total non-operating revenues	7,970,529	7,794,881	175,648	2.3%
Capital contributions	15,074,095	26,622,392	(11,548,297)	-43.4%
Total revenues	$ 65,031,409	$ 75,768,131	$ (10,736,722)	-14.2%

The following charts show the major sources and the percentage of operating revenues for fiscal years 2015 and 2014:

Operating Revenues FY 2015



Operating Revenues FY 2014



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 2016 non-operating revenues decreased $.4 million (5.2%) over FY 2015 due mainly to lower investment income. FY 2015 non-operating revenues increased $.2 million (2.3%) over FY 2014 due mainly to higher 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.

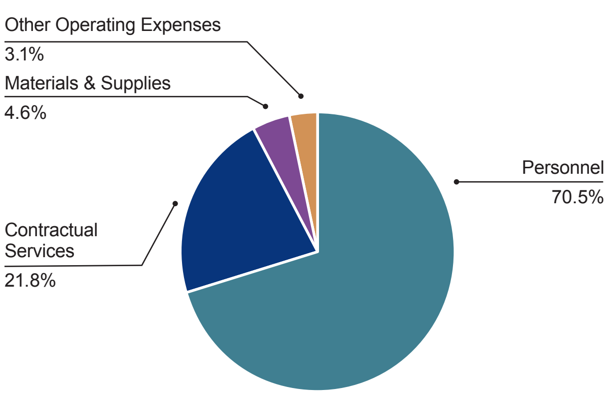
EXPENSES

Total expenses for FY 2016 decreased 4.7% from FY 2015 due primarily to lower depreciation and amortization of $2 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.

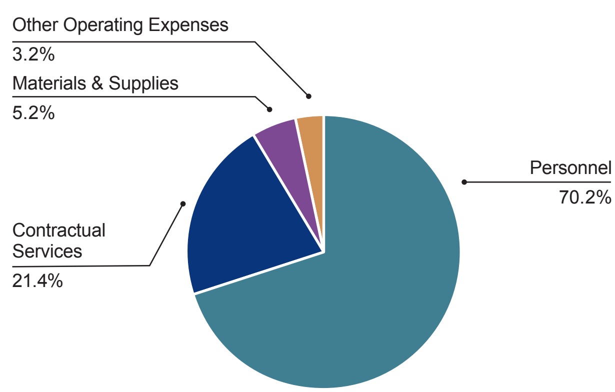
Expenses by Major Category	2016	2015	Increase (decrease)	% Increase decrease (-)
Personnel	$ 19,887,460	$ 19,945,414	$ (57,954)	-0.3%
Contractual services	6,165,827	6,064,007	101,820	1.7%
Materials and supplies	1,311,559	1,465,876	(154,317)	-10.5%
Other operating expenses	884,209	914,491	(30,282)	-3.3%
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	100.0%
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



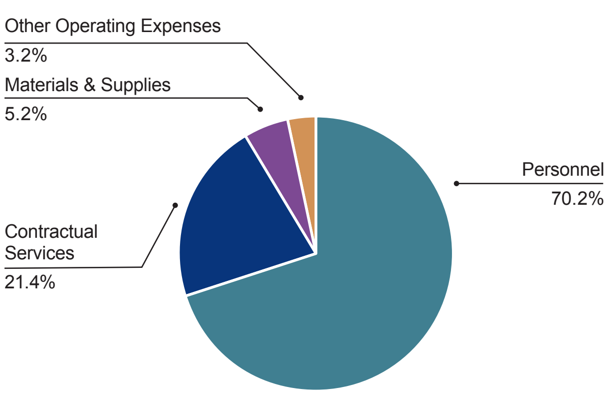
EXPENSES (continued)

Total expenses for FY 2015 decreased 6.3% from FY 2014. Operating expenses decreased $3.1 million (9.9%). The decrease in operating expenses was a result of lower personnel costs in 2015 of $1.3 million (6.2%) and decreased other operating expenses of $1.7 million (65.3%). Decreased personnel costs were primarily a result of reduced pension expenses of $1.2 million. Lower other operating expenses were attributed to reclassification and expensing of non-capitalizable project expenditures in FY 2014. Non-operating expenses were $.8 million (20.9%) lower in FY 2015 than FY 2014. This was caused mainly by a 62.4% decrease in environmental remediation expenses.

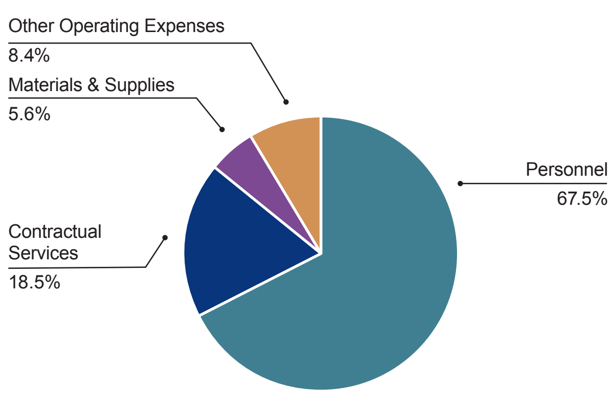
Expenses by Major Category	2015	2014	Increase (decrease)	% Increase decrease (-)
Personnel	$ 19,945,414	$ 21,271,873	$ (1,326,459)	-6.2%
Contractual services	6,064,007	5,843,202	220,805	3.8%
Materials & supplies	1,465,876	1,764,994	(299,118)	-16.9%
Other operating expenses	914,491	2,632,370	(1,717,879)	-65.3%
Total operating expenses	28,389,788	31,512,439	(3,122,651)	-9.9%
Depreciation and amortization	16,577,216	15,860,805	716,411	4.5%
Interest expense	2,667,488	2,787,713	(120,225)	-4.3%
Environmental expenses	421,500	1,120,109	(698,609)	-62.4%
Other non-operating expenses	280	-	280	N/A
Total non-operating expenses	3,089,268	3,907,822	(818,554)	-20.9%
Total expenses	$ 48,056,272	$ 51,281,066	$ (3,224,794)	-6.3%

The following charts show the major operating expense categories for the Authority for FY 2015 and FY 2014:

Operating Expenses FY 2015



Operating Expenses FY 2014



CAPITAL ASSETS

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 2016 CIP project was phase II of the terminal apron reconstruction.

Net Capital Assets	2016	2015	Increase (decrease)	% Increase decrease (-)
Land	$ 52,748,136	$ 52,601,944	$ 146,192	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	57,953,137	(41,538,215)	-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%

Net capital assets increased $8.1 million (2.7%) in FY 2015 over FY 2014. The increase resulted from spending on capital improvement program projects being higher than current year depreciation expense. The most significant FY 2015 CIP project was phase II of the terminal apron reconstruction.

Net Capital Assets	2015	2014	Increase (decrease)	% Increase decrease(-)
Land	$ 52,601,944	$ 52,914,313	$ (312,369)	-0.6%
Air avigation easement	30,136,281	30,136,281	-	0.0%
Land improvements	140,288,558	142,255,938	(1,967,380)	-1.4%
Buildings and improvements	223,496,616	224,731,034	(1,234,418)	-0.5%
Utilities	5,951,108	5,951,108	-	0.0%
Computer software	5,784,647	5,684,052	100,595	1.8%
Furniture, fixtures, machinery and equipment	36,737,086	37,059,366	(322,280)	-0.9%
Artwork	455,630	453,006	2,624	0.6%
Construction in progress	57,953,137	35,886,926	22,066,211	61.5%
Gross capital assets	553,405,007	535,072,024	18,332,983	3.4%
Less accumulated depreciation	252,019,689	241,752,719	10,266,970	4.2%
Net capital assets	$ 301,385,318	$ 293,319,305	$ 8,066,013	2.7%

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

DEBT ACTIVITY

At the end of FY 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%

At the end of FY 2015, the Authority had total long-term debt outstanding of $53.3 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 $2.6 million (4.6%) from FY 2014 is a result of normal debt service activity.

Outstanding Long-term Debt	2015	2014	Increase (decrease)	% Increase decrease(-)
Authority revenue bonds:				
Series 2001 subordinate lien	$ 30,370,000	$ 31,580,000	$ (1,210,000)	-3.8%
Series 2006 subordinate lien	22,975,000	24,350,000	(1,375,000)	-5.6%
Total long-term debt	$ 53,345,000	$ 55,930,000	$ (2,585,000)	-4.6%

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

DEBT SERVICE COVERAGE

Debt service coverage is a covenant of the Authority's bond resolutions requiring that annual net airport system revenues be maintained 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 2016 net airport system revenues available for subordinate lien bond debt service was 3.71 times subordinate lien debt service, compared to 4.32 and 2.84 for FY 2015 and FY 2014, 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 million decrease in the airline reserve fund carryover, as defined in the airport use and lease agreement. FY 2015 subordinate lien coverage improved from FY 2014 primarily as a result of higher net airport system revenues resulting from higher operating revenue of $.7 million, lower operating expenses of $3.1 million and an increase in the airline reserve fund carryover of $4 million.

Bond Resolution Subordinate Lien Debt Service Coverage	2016	2015	2014
Subordinate lien bond debt service coverage	3.71	4.32	2.84
Required minimum	1.10	1.10	1.10

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		2016	2015	2014
Ticketing	per sq. ft.	$ 78.81	$ 78.81	$ 76.30
Hold room	per gate	114,926.26	114,926.26	111,265.62
Baggage claim	per sq. ft.	74.74	74.74	72.36
Baggage makeup	per sq. ft.	26.26	26.26	25.42
Landing fee	per 1,000 lbs.	1.30	1.31	1.41

The five passenger airlines that provided TIA with scheduled service in FY 2016 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 2016 over FY 2015 by $.19 per enplanement mainly as a result of the increase in passenger enplanements of 1.7%. CPE increased in FY 2015 over FY 2014 by $.70 per enplanement mainly as a result of the increase in space rental revenues attributed to US Airways operating under a nonsignatory agreement for FY 2015 as well as an overall decrease in passenger enplanements of 1.9%.

Airline Cost Per Enplanement	2016	2015	2014
Passenger airline revenues	$ 13,670,150	$ 13,742,670	$ 12,874,466
Enplaned passengers	1,618,304	1,590,321	1,621,231
Cost per enplanement	$ 8.45	$ 8.64	$ 7.94

Statements of Net Position

September 30, 2016 and 2015

ASSETS	2016	2015
Current assets:		
Unrestricted assets:		
Cash and cash equivalents - Note 3	$ 9,168,326	$ 41,284,491
Investments - Note 3	117,613,225	87,960,174
Accounts receivable, net of allowance for doubtful accounts of $468,203 for 2016 and $435,336 for 2015	1,235,257	1,191,885
Accrued interest receivable	256,526	258,759
Grants receivable	4,787,974	1,908,602
Notes receivable	12,900	11,941
Inventories - Note 4	344,457	373,175
Prepaid expenses and other assets	459,169	450,843
Total unrestricted current assets	133,877,834	133,439,870
Restricted assets:		
Cash and cash equivalents - Note 3	1,980,966	9,079,452
Investments - Note 3	36,879,439	27,982,165
Accounts receivable	841,932	577,959
Accrued interest receivable	62,152	62,465
Prepaid insurance	132,809	151,140
Total restricted current assets	39,897,298	37,853,181
Total current assets	173,775,132	171,293,051
Noncurrent assets:		
Unrestricted assets:		
Accounts receivable	113,447	-
Notes receivable, net of current portion	41,070	53,970
Capital assets - Notes 5 and 7		
Not depreciated	99,608,778	141,146,992
Depreciated, net	203,371,606	160,238,326
Total capital assets	302,980,384	301,385,318
Total unrestricted noncurrent assets	303,134,901	301,439,288
Total noncurrent assets	303,134,901	301,439,288
Total assets	476,910,033	472,732,339
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions - Note 8	5,837,892	3,753,950
Total assets and deferred outflows of resources	$ 482,747,925	$ 476,486,289

See Accompanying Notes.

Statements of Net Position (continued)

September 30, 2016 and 2015

LIABILITIES	2016	2015
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 1,074,822	$ 708,300
Accrued expenses	1,208,621	1,951,870
Unearned revenues - Note 6	1,096,376	1,319,444
Construction contracts payable	3,838,891	6,968,639
Current portion of environmental remediation payable - Note 14	2,249,402	3,166,783
Current portion of bonds payable - Note 7:		
Airport Subordinate Lien Revenue Bonds, Series 2001	1,330,000	1,270,000
Airport Subordinate Lien Revenue Bonds, Series 2006	1,520,000	1,440,000
Total payable from unrestricted assets	12,318,112	16,825,036
Payable from restricted assets:		
Accrued interest payable:		
Airport Subordinate Lien Revenue Bonds, Series 2001	510,363	531,530
Airport Subordinate Lien Revenue Bonds, Series 2006	352,742	376,742
	863,105	908,272
Current portion of environmental remediation payable - Note 14	692,113	234,538
Total payable from restricted assets	1,555,218	1,142,810
Total current liabilities	13,873,330	17,967,846
Noncurrent liabilities:		
Payable from unrestricted assets:		
Bonds payable, net of current portion - Note 7:		
Airport Subordinate Lien Revenue Bonds, Series 2001	27,695,567	29,016,676
Airport Subordinate Lien Revenue Bonds, Series 2006	20,635,920	22,267,004
Net pension liability - Note 8	42,088,368	39,943,476
Environmental remediation payable, net of current portion - Note 14	20,519,517	21,811,157
Total payable from unrestricted assets	110,939,372	113,038,313
Total noncurrent liabilities	110,939,372	113,038,313
Total liabilities	$ 124,812,702	$ 131,006,159
Commitments and contingencies - Notes 13, 14 and 16		

DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions - Note 8	$ 3,599,708	$ 2,850,244

See Accompanying Notes.

Statements of Net Position (continued)

September 30, 2016 and 2015

NET POSITION	2016	2015
Net investment in capital assets	$ 251,798,899	$ 247,391,638
Restricted for:		
Debt service	4,421,032	4,355,052
Capital projects	33,921,048	32,355,319
Total restricted net position	38,342,080	36,710,371
Unrestricted	64,194,536	58,527,877
Total net position	$ 354,335,515	$ 342,629,886

See Accompanying Notes.

Statements of Revenues, Expenses and Changes in Net Position

Years ended September 30, 2016 and 2015

	2016	2015
Operating revenues:		
Landing fees	$ 2,793,333	$ 2,638,511
Space rentals	15,563,025	15,516,879
Land rent	2,754,715	2,767,584
Concession revenue	15,146,036	14,458,462
Airport services	3,239,181	3,787,935
Other operating revenues	2,624,624	2,817,414
Total operating revenues	42,120,914	41,986,785
Operating expenses:		
Personnel expenses	19,887,460	19,945,414
Contractual services	6,165,827	6,064,007
Materials and supplies	1,311,559	1,465,876
Other operating expenses	884,209	914,491
Total operating expenses	28,249,055	28,389,788
Depreciation and amortization	14,534,836	16,577,216
Operating (loss)	(662,977)	(2,980,219)
Nonoperating revenues (expenses):		
Interest income	1,533,109	1,383,045
Net increase (decrease) in fair value of investments	(160,483)	407,702
Passenger facility charges - Note 11	6,071,068	6,010,676
Interest expense and fiscal charges	(2,542,271)	(2,667,488)
Gain on disposition of capital assets	113,386	169,106
Environmental remediation expenses - Note 14	(440,980)	(421,500)
Other nonoperating expense	(17,250)	(280)
	4,556,579	4,881,261
Income before capital contributions	3,893,602	1,901,042
Capital contributions:		
Federal	5,024,039	12,755,207
State	2,787,988	2,318,888
	7,812,027	15,074,095
Increase in net position	11,705,629	16,975,137
Total net position, beginning of year	342,629,886	325,654,749
Total net position, end of year	$ 354,335,515	$ 342,629,886

See Accompanying Notes.

Statements of Cash Flows

Years ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Receipts from airlines and tenants	$ 41,350,716	$ 42,255,952
Federal and state grants-in-aid	473,483	410,469
Payments to suppliers	(8,116,738)	(8,399,487)
Payments for personnel services	(19,687,903)	(19,201,599)
Payments for environmental remediation	(2,192,430)	(2,341,866)
Net cash provided by operating activities	11,827,128	12,723,469
Cash flows from capital and related financing activities:		
Federal and state contributed capital, grants-in-aid	4,849,483	19,915,473
Acquisition of capital assets	(19,297,595)	(23,308,371)
Proceeds from sale of capital assets	179,325	740,637
Principal paid on long-term debt	(2,710,000)	(2,585,000)
Passenger facility charges receipts	5,807,095	6,212,556
Interest paid on long-term debt	(2,706,875)	(2,838,957)
Net cash (used) in capital and related financing activities	(13,878,567)	(1,863,662)
Cash flows from investing activities:		
Interest on investments	1,624,740	1,086,719
Maturity and calls of investments	152,064,247	90,544,807
Purchase of investments	(190,864,140)	(68,346,750)
Collections of notes receivable	11,941	11,052
Net cash (used in) provided by investing activities	(37,163,212)	23,295,828
Net (decrease) increase in cash and cash equivalents	(39,214,651)	34,155,635
Cash and cash equivalents, beginning of year	50,363,943	16,208,308
Cash and cash equivalents, end of year	$ 11,149,292	$ 50,363,943

See Accompanying Notes.

Statements of Cash Flows (continued)

Years ended September 30, 2016 and 2015

	2016	2015
Reconciliation of operating loss to net cash provided by operating activities:		
Operating (loss)	$ (662,977)	$ (2,980,219)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	14,534,836	16,577,216
Payments for environmental remediation	(2,192,430)	(2,341,865)
Effects of changes in operating assets and liabilities:		
Receivables	(73,647)	(232,396)
Inventories	28,718	36,875
Prepaid expenses and other assets	(8,326)	86,567
Accounts payable	356,856	(84,040)
Accrued expenses	(743,248)	39,929
Unearned revenues	(223,068)	912,032
Net pension liability and related changes in deferred outflows and inflows of resources	810,414	709,370
Net cash provided by operating activities	$ 11,827,128	$ 12,723,469
Noncash nonoperating, capital, financing and investing activities:		
Additions to capital assets included in accounts payable	$ 3,848,556	$ 6,968,639
Net appreciation (depreciation) in fair value of investments	$ (160,483)	$ 407,702
Increase in estimate of environmental remediation liability	$ 440,980	$ 421,500

See Accompanying Notes.

Notes to Financial Statements

September 30, 2016 and 2015

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 85 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, 2073, 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 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 stated at estimated fair value at the date received. 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, passenger facility charge applications 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 won't 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 won't 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, 2016 and 2015, 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 charges, less an ($0.11) 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 are 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 Land Acquisition Funds. Additionally, the Board, at its discretion, may internally designate certain funds for specific purposes.

Deposits with Financial Institutions

At September 30, 2016, the carrying amount of the Authority's deposits was $5,048,889 and the bank balance was $5,254,329. At September 30, 2015, the carrying amount of the Authority's deposits was $13,491,624 and the bank balance was $13,791,720. 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/municipality bonds or notes	20%

At September 30, 2016 and 2015, the Authority had the following investments:

	Fair Value				
	2016		2015		Ratings
Pooled investment fund:	$	%	$	%	
U.S. Agency securities:					
Federal Farm Credit Bank	$ 14,020,635	9%	$ 27,011,466	23%	AAA
Federal Home Loan Bank	17,509,534	11%	45,510,896	39%	AAA
Federal Home Loan Mortgage Corp.	61,465,807	40%	23,930,795	21%	AAA
Federal National Mortgage Association	40,060,134	26%	7,075,581	6%	AAA
U.S. Treasury Bills	21,436,554	14%	12,413,601	11%	AAA
	$ 154,492,664	100%	$ 115,942,339	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, 2016

Investments Measured at Fair Value

	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	$ -

	September 30, 2015		
	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	$ -	$ 27,011,466	$ -
Federal Home Loan Bank	-	45,510,896	-
Federal Home Loan Mortgage Corp.	-	23,930,795	-
Federal National Mortgage Assoc.	-	7,075,581	-
U.S. Treasury Bills	-	12,413,601	-
	$ -	$ 115,942,339	$ -

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, 2016 and 2015 as follows:

	Cash and cash equivalents		Investments	
	2016	2015	2016	2015
Unrestricted	$ 9,168,326	$ 41,284,491	$ 117,613,226	$ 87,960,174
Restricted				
Environmental Remediation Trust	692,113	234,538	-	-
Debt Service				
Airport Subordinate Lien Revenue Bonds, Series 2001	32,243	229,930	921,453	724,933
Airport Subordinate Lien Revenue Bonds, Series 2006	54,750	380,245	1,564,658	1,198,851
Series 2006 Debt Service Reserve Fund	87,167	620,834	2,491,058	1,957,391
Capital Acquisition				
Passenger Facility Charge Fund	933,495	6,344,285	26,719,665	20,088,022
Land Acquisition Fund	96,775	674,577	2,768,665	2,134,173
Construction Fund	84,423	595,043	2,413,939	1,878,795
	$ 11,149,292	$ 50,363,943	$ 154,492,664	$ 115,942,339

Cash and cash equivalents comprised the following at September 30, 2016 and 2015:

	2016	2015	Ratings
Deposits at financial institutions	$ 5,048,889	$ 13,491,624	N/A
Treasury obligation funds	6,090,753	36,862,669	AAA
Cash on hand	9,650	9,650	N/A
Total cash and cash equivalents	$ 11,149,292	$ 50,363,943	

At September 30, 2016, the Authority's investments are scheduled to mature as follows:

		Investment maturities (in months)			
	Fair value	Less than 12	12-24	24-36	36-60
Pooled investment fund:					
U.S. Treasury and Agency securities	$ 154,492,664	$ 30,918,754	$ 38,505,270	$ 40,074,640	$ 44,994,000

Notes to Financial Statements (continued)

September 30, 2016 and 2015

NOTE 4 – INVENTORIES

Inventories at September 30, 2016 and 2015 follow:

	2016	2015
Fuel, for internal use and resale	$ 46,852	$ 54,536
Operating and maintenance supplies	297,605	318,639
	$ 344,457	$ 373,175

NOTE 5 – CAPITAL ASSETS

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	$ 52,601,944	$ 146,191	$ -	$ -	$ 52,748,136
Air Avigation Easements	30,136,281	(146,191)	-	-	29,990,090
Artwork	455,630	-	-	-	455,630
Construction in progress	57,953,137	(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:					
Utilities	5,951,108	-	-	-	5,951,108
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
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:					
Utilities	5,826,430	-	45,515	-	5,871,945
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
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

NOTE 5 – CAPITAL ASSETS (continued)

Capital asset activity for the year ended September 30, 2015 follows:

	Beginning balance	Transfers	Increases	Decreases	Ending balance
Business type activities:					
Capital assets not being depreciated:					
Land	$ 52,914,313	$ -	$ -	$ (312,369)	$ 52,601,944
Air Avigation Easements	30,136,281	-	-	-	30,136,281
Artwork	453,006	-	2,624	-	455,630
Construction in progress	35,886,926	(1,312,123)	23,378,334	-	57,953,137
Total assets not being depreciated	119,390,526	(1,312,123)	23,380,958	(312,369)	141,146,992
Capital assets being depreciated:					
Utilities	5,951,108	-	-	-	5,951,108
Land improvements	142,255,938	599,226	711,845	(3,278,451)	140,288,558
Buildings and improvements	224,731,034	21,848	707,039	(1,963,305)	223,496,616
Computer software	5,684,052	-	100,595	-	5,784,647
Furniture, fixtures, machinery and equipment	37,059,366	691,049	295,059	(1,308,388)	36,737,086
Total assets being depreciated	415,681,498	1,312,123	1,814,538	(6,550,144)	412,258,015
Less accumulated depreciation for:					
Utilities	5,780,714	-	45,716	-	5,826,430
Land improvements	87,344,057	-	6,160,659	(3,188,129)	90,316,587
Buildings and improvements	120,777,387	-	7,890,318	(1,806,673)	126,861,032
Computer software	5,154,434	-	509,782	-	5,664,216
Furniture, fixtures, machinery and equipment	22,696,127	-	1,951,475	(1,296,178)	23,351,424
	241,752,719	-	16,557,950	(6,290,980)	252,019,689
Net capital assets being depreciated	173,928,779	1,312,123	(14,743,412)	(259,164)	160,238,326
Net capital assets	$ 293,319,305	$ -	$ 8,637,546	$ (571,533)	$ 301,385,318

Depreciation expense was $14,516,505 and $16,557,950 for the years ended September 30, 2016 and 2015, respectively.

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

	2016	2015
Capital assets	$ 569,157,530	$ 553,405,008
Less accumulated depreciation	(266,177,146)	(252,019,690)
Less outstanding debt	(51,181,485)	(53,993,680)
Net investment in capital assets	$ 251,798,899	$ 247,391,638

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, 2016 and 2015, 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, 2016 and 2015 follows:

	2016	2015
Forfeiture funds	$ 94,555	$ 128,702
Tenant rent payments	1,001,821	1,190,742
Total unearned revenues	$ 1,096,376	$ 1,319,444

NOTE 7 – LONG-TERM DEBT

Long-term debt at September 30, 2016 and 2015 follows:

	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

	Beginning balance	Increases	Decreases	Ending balance
2015 activity:				
Business type activities:				
Authority bonds:				
2001 subordinate lien airport revenue bonds	$ 31,580,000	$	$ (1,210,000)	$ 30,370,000
2006 subordinate lien airport revenue bonds	24,350,000		(1,375,000)	22,975,000
Total debt	55,930,000		(2,585,000)	53,345,000
Less current portion	(2,585,000)		(125,000)	(2,710,000)
Noncurrent debt	$ 53,345,000	$	$ (2,710,000)	$ 50,635,000

NOTE 7 – LONG-TERM DEBT (continued)

	2016	2015
$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%.	$ 29,100,000	$ 30,370,000
$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%.	21,535,000	22,975,000
	50,635,000	53,345,000
Unamortized premium – Series 2006 bonds	620,920	732,004
Unamortized discount – Series 2001 bonds	(74,433)	(83,324)
	51,181,487	53,993,680
Less current portion	(2,850,000)	(2,710,000)
Noncurrent debt	$ 48,331,487	$ 51,283,680

A summary of annual long-term debt service requirements to maturity as of September 30, 2016, including required principal installments to the bond fund of $50,635,000 and interest payments of $19,238,340 totaling $69,873,340 follows:

		Airport Subordinate Lien Revenue Bonds, Series 2006			Airport Subordinate Lien Revenue Bonds, Series 2001	
		Principal	Interest		Principal	Interest
Year ending September 30,	2017	$ 1,520,000	$ 994,892	2017	$ 1,330,000	$ 1,508,923
	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
	2022-2026	10,690,000	1,734,958	2022-2026	9,460,000	4,687,492
	2027-2028	2,470,000	17,496	2027-2031	12,280,000	1,820,694
		$ 21,535,000	$ 5,897,371		$ 29,100,000	$ 13,340,969

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, 2016 and 2015, 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, 2016.

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

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, 2016 and 2015 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, 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

NOTE 8 – PENSION PLANS (continued)

September 30, 2015	ASRS	PSPRS – Fire Department	PSPRS – Police Department	Net
Net pension liability	$ 18,108,646	$ 10,159,376	$ 11,675,454	$ 39,943,476
Deferred outflows of resources:				
Difference between actual and expected experience	$ 494,146	$ -	$ 235,622	$ 729,768
Changes of assumptions related to pensions	-	1,003,209	880,986	1,884,195
Difference between projected and actual investment earnings	-	148,886	136,286	285,172
Contributions subsequent to the measurement date	365,682	205,646	283,487	854,815
Total deferred outflows	$ 859,828	$ 1,357,741	$ 1,536,381	$ 3,753,950
Deferred inflows of resources:				
Difference between actual and expected experience	$ 948,911	$ 309,455	$ -	$ 1,258,366
Difference between projected and actual investment earnings	580,342	141,194	126,612	848,148
Changes in proportion and differences between employer contributions and proportionate share of contributions	743,730	-	-	743,730
Total deferred inflows	$ 2,272,983	$ 450,649	$ 126,612	$ 2,850,244
Pension expense	$ 548,578	$ 1,254,338	$ 1,364,700	$ 3,167,616

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)

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, 2016 and 2015, active ASRS members and the Authority were required by statute to contribute at the following actuarially determined rates on members' annual covered payroll:

	2016	2015
Employee contribution rates:		
Retirement	11.35%	11.48%
Long-term disability	.12%	.12%
	11.47%	11.60%
Employer contribution rates:		
Retirement	10.85%	10.89%
Health insurance premium benefit	.50%	.59%
Long-term disability	.12%	.12%
	11.47%	11.60%

NOTE 8 – PENSION PLANS (continued)

The Authority's contributions to the pension plan for the years ended June 30, 2016 and 2015 were $1,123,979 and $1,166,090, respectively.

Pension liability

At September 30, 2016 and 2015 the Authority reported a liability of $17,858,407 and $18,108,646 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016 and 2015. (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, 2015, to the measurement date of June 30, 2016.) 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, 2016 and 2015. The Authority's proportion measured as of June 30, 2016 and 2015 were 0.11064% and 0.11626% respectively, which was a decrease of 0.00562%.

For the years ended September 30, 2016 and 2015, the Authority recognized pension expense for ASRS of $176,775 and $548,578, respectively. At September 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2016		September 30, 2015	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 108,524	$ 1,228,528	$ 494,146	$ 948,911
Net difference between projected and actual earnings on pension plan investments	1,935,257	-	-	580,342
Changes of assumptions related to pensions	-	944,852	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	952,273	-	743,730
Contributions subsequent to the measurement date	356,759	-	365,682	-
	$ 2,400,540	$ 3,125,653	$ 859,828	$ 2,272,983

The $356,759 reported as deferred outflows of resources related to ASRS pensions resulting from 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, 2017. 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, 2017	$ (1,403,918)
2018	(951,319)
2019	730,725
2020	542,640
	$ (1,081,872)

NOTE 8 – PENSION PLANS (continued)

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

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
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, 2015 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 8.75% 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 real rate of return
Equity	58%	3.90%
Fixed Income	25%	.93%
Real estate	10%	.42%
Multi-asset class	5%	.17%
Commodities	2%	.08%
Total	100%	5.50%
Inflation		3.25%
Expected Arithmetic nominal return		8.75%

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 8.75%. 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 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)

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	$ 22,770,826	$ 17,858,407	$ 13,919,722

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. The calculation of retirement benefits for employees who became a member on or before December 31, 2011 commence the first day of the month following termination of employment and are based upon the following:

1. 20 years of credited service: 50 percent of the average monthly benefit compensation for the first 20 years of credited service.

2. Age 62 with 15 years of service, or 20 years of service with less than 20 years of credited service: 50 percent of the average monthly benefit compensation for the first 20 years of credited service. The pension is reduced by 4 percent per year for each year of credited service under 20 years.

3. 20 to 24.99 years of credited service: 50 percent of the average monthly benefits compensation for the first 20 years of credited service plus 2 percent of the average monthly benefits compensation for each year of credited service between 20 and 24.99.

4. 25 or more years of credited service: 50 percent of the average monthly benefit compensation for the first 20 years of credited service plus 2.5 percent of the average monthly benefit compensation for each year of credited service above 20 years - up to a maximum of 80 percent of the average monthly benefit compensation.

NOTE 8 – PENSION PLANS (continued)

The calculation of retirement benefits for employees who became a member on or after January 1, 2012 commence the first day of the month following termination of employment and are based upon the following:

1. Age 52.5 with 25 years of service: 62.5 percent of the average monthly benefit compensation. Benefits will be reduced by 4 percent for each year of credited service under 25 years.
2. 25 or more years of service: 62.5 percent of the average monthly benefit compensation for the first 25 years of credited service plus 2.5 percent of the average monthly benefit compensation for each year over 25 years of credited service - up to a maximum of 80 percent of the average monthly benefit compensation. The pension is reduced by 4 percent per year for each year of credited service under 25 years with a pro-rata reduction for any fractional years.

The phrase “average monthly benefit compensation,” as it is used in the above discussion, is defined as the average of the highest 36 consecutive months of compensation within the last 20 years of credited service (for employees who became a member on or before December 31, 2011) or as the average of the highest 60 consecutive months of compensation within the last 20 years of credited service (for employees who became a member on or after January 1, 2012).

Disability benefits are calculated as follows:

Accidental Disability Retirement:	50% of average monthly compensation, or normal pension amount, whichever is greater.
Catastrophic Disability Retirement:	90% of average monthly compensation for the first 60 months. Thereafter, the benefit is the greater of 62.5% of average monthly compensation or the member’s accrued normal pension.
Ordinary Disability Retirement:	A percentage of normal pension on employee’s credited service (maximum of 20 years divided by 20).

Survivor benefits are paid on behalf of an active member in the amount of 80 percent of the pension based on the calculation for an accidental disability retirement. If the member was killed in the line of duty, the benefit is 100 percent of the member’s average monthly benefit compensation. The benefit amount is allocated to the surviving spouse and, if applicable, eligible children. If there is no surviving spouse, and there is at least one eligible child, the guardian of the eligible children and the eligible children are the recipients of the benefit. If there is no surviving spouse or eligible children, the member’s named beneficiary on file will receive the member’s accumulated contributions. Benefits are paid on behalf of an inactive, non-retired member to the member’s named beneficiary in the amount of the member’s accumulated contributions. Death benefits are paid on behalf of a retired member in a manner similar to an active member. The surviving spouse (if married for at least two consecutive years at the time of the member’s death) will receive 80 percent of the member’s pension benefit for lifetime. The surviving children and guardian provisions are the same as those regarding active members, with the exception that the percentages received are based upon the pension amount as opposed to the amounts referenced above for active members. 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.

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.

NOTE 8 – PENSION PLANS (continued)

Members who retired on or before July 1, 2011, may be entitled to a PBI of up to 4 percent of the average normal PSPRS benefit being received on the preceding June 30. To be eligible for the increase the member or survivor must be age 55 or older on July 1 of the current year and have begun receiving benefits on or before July 31 of the previous year. A member or survivor is also eligible if he or she began receiving benefits on or before July 31 of the two previous years regardless of age. The increases are paid out of a PBI reserve account that is funded by one-half of the plan's earnings in excess of nine percent.

Members who retired on or after August 1, 2011 are eligible for and receive PBIs as follows:

1. A retired member who became a member on or before December 31, 2011, or the survivor of a retired member, was receiving benefits on or before July 31 of the two previous years, OR was 55 or older on July 1 of the current year and receiving benefits on or before July 31 of the previous year.

2. A retired member who became a member on or after January 1, 2012, or the survivor of a retired member, was 55 or older on July 1 of the current year and is receiving benefits, OR the retired member was under 55 on July 1 of the current year, was receiving an accidental disability or a catastrophic disability retirement benefit and was receiving benefits on or before July 31 of the two previous years, OR a survivor was under 55 on July 1 of the current year, is the survivor of a member who was killed in the line of duty and was receiving benefits on or before July 31 of the two previous years.

The increase is contingent upon a total investment return of more than 10.5 percent for the prior fiscal year, and will be calculated as follows (if there are insufficient earnings to cover the maximum increases, the percentage increase is limited to the earnings available):

Ratio of Actuarial Value of Assets to Liabilities	Maximum increase
60-64%	2.00%
65-69%	2.50%
70-74%	3.00%
75-79%	3.50%
80% or more	4.00%

From and after December 31, 2015, legislature may enact permanent one-time benefit increases after an analysis of the effect of the increase on the System by the Joint Legislative Budget Committee (JLBC).

At June 30, 2016 the number of employees covered by the PSPRS agent pension plan benefit terms are as follows:

	Fire Department	%	Police Department	%
Retirees and beneficiaries	17	47.2%	21	48.8%
Inactive, non-retired members	3	8.3%	5	11.6%
Active members	16	44.5%	17	39.6%
	36		43	

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. 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)

For the Plan years ended June 30, 2016 and 2015 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	
	2016	2015	2016	2015
Employee contribution rates	11.65%	11.05%	11.65%	11.05%
Employer contribution rates	73.55%	50.12%	66.06%	47.32%
Employer contributions	$ 839,895	$ 527,805	$ 860,997	$ 614,539

The health insurance premium portion of the contribution rate was actuarially set at 0.9% of covered payroll.

Pension liability

At September 30, 2016 and 2015, the Authority reported the following net pension liabilities for its PSPRS pension plans:

	Fire		Police	
	2016	2015	2016	2015
Net pension liability	$ 11,159,650	$ 10,159,376	$ 13,070,311	$ 11,675,454

The net pension liabilities were measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability (asset) was determined by actuarial valuations at these dates.

In May 2016, voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The total pension liability for the PSPRS Fire and Police Department plans in the June 30, 2016 and 2015 measurement was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Payroll growth	4.00%
Inflation	3.00%
Salary increases	4.00%-8.00%, including inflation
Investment rate of return	7.50% (7.85% for 2015), net of investment and administrative expenses
Mortality rates	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).
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.

NOTE 8 – PENSION PLANS (continued)

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, 2011.

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.

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

Asset Class	Target Allocation	Long term expected real rate of return
U.S. equity	16%	5.50%
Non U.S. equity	14%	6.40%
Private equity	11%	7.50%
Fixed income	7%	1.90%
Private credit	13%	6.00%
Absolute return	5%	3.50%
GTAA	10%	4.80%
Real assets	8%	5.40%
Real estate	10%	4.50%
Risk parity	4%	4.80%
Short term investments	2%	1.00%
	100%	

Discount rate - The discount rate of 7.50% 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)

Changes in the net pension liability (asset) –

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

Tucson Airport Authority Fire Department

Measurement Date, June 30, 2015 Reporting Date, September 30, 2015	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)
Balances at beginning of year	$ 14,484,720	$ 4,613,190	$ 9,871,530
Changes for the year:			
Service cost	$ 214,614		$ 214,614
Interest on the total pension liability	1,113,123		1,113,123
Differences between expected and actual experience in the measurement of the pension liability	(347,529)		(347,529)
Contributions employer	-	$ 527,805	(527,805)
Contributions employee	-	120,005	(120,005)
Net investment income	-	164,399	(164,399)
Benefit payments, including refunds of employee contributions	(824,231)	(824,231)	-
Pension plan administrative expense	-	(4,385)	4,385
Other	-	(115,462)	115,462
Net changes	155,977	(131,869)	287,846
Balances end of year	$ 14,640,697	$ 4,481,321	$ 10,159,376

NOTE 8 – PENSION PLANS (continued)

Changes in the net pension liability (asset) – continued

Tucson Airport Authority Police 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

Tucson Airport Authority Police Department

Measurement Date, June 30, 2015 Reporting Date, September 30, 2015	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)
Balances at beginning of year	$ 15,294,242	$ 4,200,856	$ 11,093,386
Changes for the year:			
Service cost	$ 258,524		$ 258,524
Interest on the total pension liability	1,171,149		1,171,149
Differences between expected and actual experience in the measurement of the pension liability	195,045		195,045
Contributions employer	-	$ 614,539	(614,539)
Contributions employee	-	280,628	(280,628)
Net investment income	-	154,668	(154,668)
Benefit payments, including refunds of employee contributions	(1,008,807)	(1,008,807)	-
Pension plan administrative expense	-	(4,150)	4,150
Other	-	(3,035)	3,035
Net changes	615,911	33,843	582,068
Balances end of year	$ 15,910,153	$ 4,234,699	$ 11,675,454

NOTE 8 – PENSION PLANS (continued)

Sensitivity of the Authority's net pension liability to changes in the discount rate The following table presents the Authority's net pension liability (asset) calculated using the discount rate noted above, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% decrease (6.50%)	Current discount rate (7.50%)	1% increase (8.50%)
Authority's net pension liability (asset) – Fire Department	$ 13,090,104	$ 11,159,650	$ 9,556,903
Authority's net pension liability (asset) – Police Department	$ 15,122,244	$ 13,070,311	$ 11,360,429

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)

Tucson Airport Authority Fire Department

Pension expense and deferred outflows/inflows of resources For the years ended September 30, 2016 and 2015 the Authority recognized pension expense for PSPRS Fire of $1,480,468 and $1,254,338, respectively. At September 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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 or other inputs	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

September 30, 2015

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows of resources
Differences between expected and actual experience	$ -	$ 309,455	$ (309,455)
Changes in assumptions or other inputs	1,003,209	-	1,003,209
Net difference between projected and actual earnings on pension plan investments	148,886	141,194	7,692
Contributions subsequent to the measurement date	205,646	-	205,646
Total	$ 1,357,741	$ 450,649	$ 907,092

The $235,408 reported as deferred outflows of resources related to PSPRS pensions as of September 30, 2016 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, 2017. 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, 2017	$ 437,768
2018	329,437
2019	138,481
2020	155,281
2021	-
Total	$ 1,060,967

NOTE 8 – PENSION PLANS (continued)

Tucson Airport Authority Police Department

Pension expense and deferred outflows/inflows of resources   For the years ended September 30, 2016 and 2015 the Authority recognized pension expense for PSPRS Police of $1,960,626 and $1,364,700, respectively. At September 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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 or other inputs	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

September 30, 2015

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows of resources
Differences between expected and actual experience	$ 235,622	$ -	$ 235,622
Changes in assumptions or other inputs	880,986	-	880,986
Net difference between projected and actual earnings on pension plan investments	136,286	126,612	9,674
Contributions subsequent to the measurement date	283,487	-	283,487
Total	$ 1,536,381	$ 126,612	$ 1,409,769

The $245,412 reported as deferred outflows of resources related to PSPRS pensions as of September 30, 2016 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, 2017. 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, 2017	$ 761,461
2018	285,614
2019	283,085
2020	91,350
2021	-
Total	$ 1,421,510

NOTE 8 – PENSION PLANS (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
2016	$ -	100%	$ -
2015	-	100%	-
2014	-	100%	-

Police Department

Year ending June 30	Annual OPEB cost	Percentage of annual cost contributed	Net OPEB obligation
2016	$ 4,959	100%	$ 16,631
2015	6,346	100%	16,631
2014	4,096	100%	3,804

The health insurance premium benefit contribution requirements for the year ended June 30, 2016 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)

Other Post-Employment Benefits (OPEB) – continued

The significant actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	22 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable 20 years for overfunded
Asset valuation method	7-year smoothed market; 20% corridor
Investment rate of return	7.85%, net of investment and administrative expenses
Projected salary increases	4.0% – 8.0%
Payroll growth	4.0%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	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, 2015, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2016
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	4.25%, including inflation of 4.0%

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, 2016 follows:

Year ending June 30, 2017	$	15,604,801
2018		13,400,003
2019		4,289,973
2020		3,392,519
2021		2,978,954
Thereafter		16,124,696
	$	55,790,946

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 $489,581 and $569,756 for the years ended September 30, 2016 and 2015, respectively, and is included in concession revenues.

NOTE 10 – Concentration of operating revenues

Concession fees from the airport rental car operations amounted to approximately 14.54% and 13.65% of total operating revenues for the years ended September 30, 2016 and 2015, respectively. Net revenues from the airport parking lot operations amounted to approximately 15.0% and 14.7% of total operating revenues in the years ended September 30, 2016 and 2015, respectively.

NOTE 11 – Passenger Facility Charges

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

In April 2006, the FAA approved an amendment to the approved PFC application. The amendment approved an increase in the collection level from $3.00 to $4.50 for the following projects of the Authority: terminal expansion, land acquisition for airport expansion and land acquisition for noise mitigation. In June 2006, the FAA approved an additional application to include the concourse renovation project. 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, 2016 and 2015, the Authority earned PFCs of $6,071,068 and $6,010,676, 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 reductions 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, 2016 and 2015.

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, 2016 totaled approximately $32,204,296. These commitments will be funded in whole or in part by federal and state grants of $10,673,032 and the Authority's previously issued revenue bonds and Authority funds, as necessary, of $21,999,144.

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.

Changes in the estimated environmental remediation liability for the years ended September 30, 2016 and 2015 follow:

	2016	2015
Environmental remediation liability, beginning of year	$ 25,212,477	$ 27,132,843
Current year expense	440,980	421,500
Investment earnings on Environmental Remediation Trust assets	5	-
Current year payments	(2,192,430)	(2,341,866)
Environmental remediation liability, end of year	$ 23,461,032	$ 25,212,477
Environmental remediation liability:		
Current – payable from unrestricted assets	$ 2,249,402	$ 3,166,782
Current – payable from restricted assets	692,113	234,538
Long-term – payable from unrestricted assets	20,519,517	21,811,157
	$ 23,461,032	$ 25,212,477

NOTE 14 – Environmental matters, litigation and contingencies – continued

1,4 Dioxane Remedial Investigation and Feasibility Study

In a letter dated July 17, 2008, the U.S. EPA requested that the 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, 2016 and 2015 restricted net position is as follows:

September 30, 2016

	Environmental Trust	Debt service	Capital acquisition	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

September 30, 2015

	Environmental Trust	Debt service	Capital acquisition	Total restricted
Assets				
Cash and cash equivalents	$ 234,538	$ 1,231,009	$ 7,613,905	$ 9,079,452
Investments	-	3,881,175	24,100,990	27,982,165
Accounts receivable	-	-	577,959	577,959
Accrued interest receivable	-	-	62,465	62,465
Prepaid insurance	-	151,140	-	151,140
Total restricted assets	$ 234,538	$ 5,263,324	$ 32,355,319	$ 37,853,181
Liabilities				
Accrued interest payable	$ -	$ 908,272	$ -	$ 908,272
Environmental remediation payable - current portion	234,538	-	-	234,538
Total liabilities payable from restricted assets	$ 234,538	$ 908,272	$ -	$ 1,142,810
Total Restricted Net Position	$ -	$ 4,355,052	$ 32,355,319	$ 36,710,371

NOTE 16 – Subsequent Events

In November 2016 the Arizona Supreme Court overturned two provisions of state law designed to provide financial relief to underfunded retirement plans managed by PSPRS.

In the Hall v. EORP lawsuit, the Arizona Supreme Court determined that 2011 legislative reforms that increased employee contribution rates and modest reductions to pension benefit increases were unconstitutional. The court's ruling impacts employees who were already hired or retired by the effective date of the 2011 law.

In response to the ruling, PSPRS must provide partial refunds to impacted members who under the contested law had their retirement contribution rates rise above the existing 7.65 percent level. Likewise, those who retired after the effective date of the 2011 legislation may be owed retroactive benefit increases calculated under the previous permanent benefit increase (PBI) formula.

The amount of contribution refunds and retroactive pension increases for the TAA PSPRS Pension Plans are unknown at this time. Also, due to the timing of the ruling it is most likely that the incremental effects of the lawsuit will not be factored into individual employer funding levels and rates until the June 30, 2017 valuations are released next year.

Subsequent events have been evaluated through March 3, 2017, which is the date the financial statements were available to be issued.

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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 – 2007 information not available)

Reporting date (September 30) Measurement date (June 30)	2016 (2016)	2015 (2015)	2014 (2014)	2013 (2013)
Authority's proportion of the net pension liability	0.110640%	0.116260%	0.120267%	-%
Authority's proportionate share of the net pension liability	17,858,407	18,108,646	17,795,379	-
Authority's covered employee payroll	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	173.23%	169.11%	164.15%	-%
Plan fiduciary net position as a percentage of total pension liability	67.06%	68.08%	69.49%	-%

2012 (2012)	2011 (2011)	2010 (2010)	2009 (2009)	2008 (2008)	2007 (2007)
-%	-%	-%	-%	-%	-%
-	-	-	-	-	-
-	-	-	-	-	-
-%	-%	-%	-%	-%	-%
-%	-%	-%	-%	-%	-%

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

(2013 – 2007 information not available)

Reporting date (September 30) Measurement date (June 30)	2016 (2016)	2015 (2015)	2014 (2014)	2013 (2013)
Total pension liability				
Service cost	$ 226,588	$ 214,614	$ 217,088	$ -
Interest on total pension liability	1,114,931	1,113,123	926,805	-
Benefit changes	237,906	-	362,124	-
Difference between expected and actual experience	(88,660)	(347,529)	(59,196)	-
Assumption changes	563,682	-	1,746,767	-
Benefit payments, including refunds of employee contributions	(1,102,101)	(824,231)	(813,515)	-
Net change in total pension liability	952,346	155,977	2,380,073	-
Total pension liability, beginning	14,640,697	14,484,720	12,104,647	-
Total pension liability, ending (a)	$ 15,593,043	$ 14,640,697	$ 14,484,720	$ -
Plan fiduciary net position				
Contributions employer	$ 839,895	$ 527,805	$ 497,883	$ -
Contributions employee	133,036	120,005	111,010	-
Pension plan net investment income	26,592	164,399	570,917	-
Benefit payments, including refunds of employee contributions	(1,102,101)	(824,231)	(813,515)	-
Pension plan administrative expense	(4,227)	(4,385)	-	
Other	58,877	(115,462)	(261,027)	-
Net change in fiduciary net position	(47,928)	(131,869)	105,268	-
Plan fiduciary net position, beginning	4,481,321	4,613,190	4,507,922	-
Plan fiduciary net position, ending (b)	$ 4,433,393	$ 4,481,321	$ 4,613,190	$ -
Net pension liability (asset), ending (a)–(b)	$ 11,159,650	$ 10,159,376	$ 9,871,530	$ -
Plan fiduciary net position as a percentage of total pension liability	28.43%	30.61%	31.85%	-%
Covered valuation payroll	$ 1,174,641	$ 1,098,649	$ 1,013,577	$ -
Net pension liability as a percentage of covered valuation payroll	950.05%	942.72%	973.93%	-%

2012	2011	2010	2009	2008	2007
(2012)	(2011)	(2010)	(2009)	(2008)	(2007)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%

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

(2013 – 2007 information not available)

Reporting date (September 30)	2016	2015	2014	2013
Measurement date (June 30)	(2016)	(2015)	(2014)	(2013)
Total pension liability				
Service cost	$ 253,073	$ 258,524	$ 256,981	$ -
Interest on total pension liability	1,213,721	1,171,149	965,854	-
Benefit changes	212,521	-	342,709	-
Difference between expected and actual experience	163,868	195,045	178,695	-
Assumption changes	607,290	-	1,778,168	-
Benefit payments, including refunds of employee contributions	(1,150,547)	(1,008,807)	(807,083)	-
Net change in total pension liability	1,299,926	615,911	2,715,324	-
Total pension liability, beginning	15,910,153	15,294,242	12,578,918	-
Total pension liability, ending (a)	$ 17,210,079	$ 15,910,153	$ 15,294,242	$ -
Plan fiduciary net position				
Contributions employer	$ 860,997	$ 614,539	$ 576,148	$ -
Contributions employee	172,693	280,628	150,551	-
Pension plan net investment income	24,385	154,668	511,958	-
Benefit payments, including refunds of employee contributions	(1,150,547)	(1,008,807)	(807,083)	-
Pension plan administrative expense	(3,909)	(4,150)	-	
Other	1,450	(3,035)	(209,036)	-
Net change in fiduciary net position	(94,931)	33,843	222,538	-
Plan fiduciary net position, beginning	4,234,699	4,200,856	3,978,318	-
Plan fiduciary net position, ending (b)	$ 4,139,768	$ 4,234,699	$ 4,200,856	$ -
Net pension liability (asset), ending (a)–(b)	$ 13,070,311	$ 11,675,454	$ 11,093,386	$ -
Plan fiduciary net position as a percentage of total pension liability	24.05%	26.62%	27.47%	-%
Covered valuation payroll	$ 1,309,901	$ 1,364,568	$ 1,305,875	$ -
Net pension liability as a percentage of covered valuation payroll	997.81%	855.62%	849.50%	-%

2012 (2012)	2011 (2011)	2010 (2010)	2009 (2009)	2008 (2008)	2007 (2007)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%

Multiyear Schedule of Pension Contributions

(2013 – 2007 information not available)

Reporting date (September 30)	2016	2015	2014	2013
Measurement date (June 30)	(2016)	(2015)	(2014)	(2013)
Arizona State Retirement System (ASRS)				
Statutorily required contribution	$ 1,123,979	$ 1,166,090	$ 1,160,008	$ -
Contributions in relation to the contractually required contribution	1,123,979	1,166,090	1,160,008	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 10,309,250	$ 10,708,240	$ 10,840,726	$ -
Contributions as a percentage of covered employee payroll	10.90%	10.89%	10.70%	- %
Public Safety Personnel Retirement System (PSPRS) – Fire Department				
Actuarially determined contribution	$ 839,895	$ 527,805	$ 497,883	$ -
Contributions in relation to the actuarially determined contribution	839,895	527,805	497,883	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 1,174,641	$ 1,098,649	$ 1,013,577	-
Contributions as a percentage of covered employee payroll	71.50%	48.04%	49.12%	- %
Public Safety Personnel Retirement System (PSPRS) – Police Department				
Actuarially determined contribution	$ 860,997	$ 614,539	$ 576,148	$ -
Contributions in relation to the actuarially determined contribution	860,997	614,539	576,148	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 1,309,901	$ 1,364,568	$ 1,305,875	-
Contributions as a percentage of covered employee payroll	65.73%	45.04%	44.12%	- %

2012 (2012)	2011 (2011)	2010 (2010)	2009 (2009)	2008 (2008)	2007 (2007)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-%	-%	-%	-%	-%	-%

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%)
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%)

STATISTICAL SECTION

TUCSON
AIRPORT AUTHORITY
TUCSON INTERNATIONAL AIRPORT • RYAN AIRFIELD

Statistical Section

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Net Position and Changes in Net Position

Fiscal Years Ended September 30

	2007	2008	2009	2010
Operating revenues				
Landing fees	$ 4,091,446	$ 4,514,982	$ 3,955,954	$3 ,716,258
Space rentals	13,677,431	14,982,283	14,642,735	14,271,708
Land rent	2,410,087	2,358,601	2,485,048	2,632,103
Concession revenue	17,706,891	18,082,017	15,914,805	16,451,297
Product sales	5,079,304	5,434,965	2,959,860	3,111,248
Airport services	3,257,465	3,567,743	3,244,457	3,997,120
Other operating revenues	5,044,216	6,120,531	4,308,162	4,577,805
Total operating revenues	51,266,840	55,061,122	47,511,021	48,757,539
Nonoperating revenues				
Interest income	4,303,866	3,758,394	1,947,288	1,104,984
Passenger facility charges	8,837,539	8,564,157	7,221,319	7,418,447
Other non-operating revenues	6,289	(128,747)	590,487	(263,931)
Total non-operating revenues	13,147,694	12,193,804	9,759,094	8,259,500
Total revenues	64,414,534	67,254,926	57,270,115	57,017,039
Operating expenses				
Personnel expenses	18,726,957	19,436,788	19,289,037	18,338,923
Contractual services	5,981,561	6,700,706	6,268,927	6,064,411
Materials and supplies	1,448,754	1,604,514	1,197,635	1,264,250
Cost of product sales	3,800,984	4,320,579	2,108,804	2,260,029
Other operating expenses	1,629,556	1,671,420	1,346,920	1,090,153
Depreciation and amortization	11,530,943	13,470,556	16,530,294	16,783,060
Total operating expenses	43,118,755	47,204,563	46,741,617	45,800,826
Non-operating expenses				
Interest expense and fiscal charges	4,173,111	3,714,983	4,872,368	4,591,809
Environmental remediation expenses (1)	1,960,058	599,092	6,128,082	4,707,923
Other nonoperating expenses	14,008	14,491	26,950	-
Total non-operating expenses	6,147,177	4,328,566	11,027,400	9,299,732
Total expenses	49,265,932	51,533,129	57,769,017	55,100,558
Capital contributions	15,197,348	8,765,633	9,196,017	15,868,166
Special item - Loss on asset impairment	(17,208)	(34,460)	(14,063)	(1,891,123)
Increase in net position	$ 30,328,742	$ 24,452,970	$ 8,683,052	$ 15,893,524
Net position at year-end (1)				
Net investment in capital assets	$ 158,023,312	$ 168,169,113	$ 176,927,712	$ 188,439,666
Restricted	17,902,932	21,705,586	26,738,088	29,259,452
Unrestricted	76,086,927	76,554,134	71,446,085	73,306,291
Total net position	$ 252,013,171	$ 266,428,833	$ 275,111,885	$ 291,005,409

(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.

2011	2012	2013	2014	2015	2016
$ 3,218,611	$ 3,065,212	$ 2,727,682	$ 2,677,840	$ 2,638,511	$ 2,793,333
14,464,321	14,404,808	14,541,598	14,712,712	15,516,879	15,563,025
2,694,612	2,639,679	2,684,589	2,663,514	2,767,584	2,754,715
16,978,230	16,717,118	14,234,828	14,442,602	14,458,462	15,146,036
3,386,663	2,624,936	1,000,111	-	-	-
4,016,841	3,626,002	3,069,561	3,813,682	3,787,935	3,239,181
4,634,781	4,764,771	4,336,606	3,040,508	2,817,414	2,624,624
49,394,059	47,842,526	42,594,975	41,350,858	41,986,785	42,120,914
850,527	757,378	733,777	1,003,767	1,383,045	1,533,109
7,064,714	6,884,959	6,193,285	6,135,127	6,010,676	6,071,068
97,930	7,813	(466,024)	655,988	576,808	(47,097)
8,013,171	7,650,150	6,461,038	7,794,882	7,970,529	7,557,080
57,407,230	55,492,676	49,056,013	49,145,740	49,957,314	49,677,994
18,565,829	18,813,878	18,855,823	21,271,873	19,945,414	19,887,460
6,301,918	5,759,286	6,321,777	5,843,202	6,064,007	6,165,827
1,390,653	1,405,494	1,348,952	1,764,994	1,465,876	1,311,559
2,612,723	2,063,364	851,930	-	-	-
1,274,401	1,244,705	1,177,404	2,632,370	914,491	884,209
15,298,186	15,386,500	16,472,711	15,860,805	16,577,216	14,534,836
45,443,710	44,673,227	45,028,597	47,373,244	44,967,004	42,783,891
4,252,272	3,373,283	3,048,133	2,787,713	2,667,488	2,542,271
834,444	1,420,602	1,469,875	1,120,109	421,500	440,980
1,896	13,216	15,714	-	280	17,250
5,088,612	4,807,101	4,533,722	3,907,822	3,089,268	3,000,501
50,532,322	49,480,328	49,562,319	51,281,066	48,056,272	45,784,392
8,606,611	12,633,202	13,542,280	26,622,392	15,074,095	7,812,027
403,565)	-	-	-	-	-
$ 15,077,954	$ 18,645,550	$ 13,035,974	$ 24,487,065	$ 16,975,137	$ 11,705,629
$ 198,997,844	$ 208,795,492	$ 220,212,684	$ 236,631,507	$ 247,391,638	$ 251,798,899
31,135,480	33,221,914	32,995,119	34,237,052	36,710,371	38,342,080
75,950,039	82,711,507	84,557,084	54,786,190	58,527,877	64,194,536
$ 306,083,363	$ 324,728,913	$ 337,764,887	$ 325,654,749	$ 342,629,886	$ 354,335,515

Principal Revenue Sources

Fiscal Years Ended September 30

	2007	2008	2009	2010
Passenger airline rates and charges				
Landing fees	$ 3,652,290	$ 4,065,168	$ 3,530,022	$ 3,319,897
Terminal rentals	8,374,134	8,601,069	8,408,438	8,183,398
Security fees	869,004	968,220	1,152,120	1,780,152
Terminal use fees	32,017	50,262	26,379	18,579
Custodial, equipment and parking	447,692	475,761	360,384	348,516
Total passenger airline rates and charges	13,375,137	14,160,480	13,477,343	13,650,542
Concession revenues				
Parking lots	7,802,071	8,276,347	6,355,839	6,142,297
Rental cars	7,249,854	6,930,285	7,100,966	7,701,287
News and gift	785,138	869,755	742,644	755,931
Food and beverage	1,117,886	1,228,100	1,015,971	1,079,669
Other	751,942	777,530	699,386	772,112
Total concession revenues	17,706,891	18,082,017	15,914,806	16,451,296
Other operating revenues				
Space rental	4,665,758	5,704,270	5,617,955	5,597,873
Land rent	2,410,087	2,358,601	2,485,048	2,632,103
Tenant finishes	330,270	330,270	330,270	224,621
Cargo airline landing fees	309,500	345,236	298,302	232,481
Air cargo space rentals	307,269	288,308	286,072	265,816
Fuel flowage	2,648,461	2,780,578	1,989,537	2,173,138
TSA reimbursements	473,784	503,811	534,701	506,675
Rental car customer facility charges	1,043,219	1,421,868	1,105,380	1,100,777
General aviation product sales	5,079,304	5,434,965	2,959,860	3,111,248
Other	2,917,160	3,650,718	2,511,747	2,810,969
Total other operating revenues	20,184,812	22,818,625	18,118,872	18,655,701
Total operating revenues	51,266,840	55,061,122	47,511,021	48,757,539
Non-operating revenues				
Interest income	4,303,866	3,758,394	1,947,288	1,104,984
Passenger facility charges	8,837,539	8,564,157	7,221,319	7,418,447
Other non-operating revenues	6,289	(128,747)	590,487	(263,931)
Total non-operating revenues	13,147,694	12,193,804	9,759,094	8,259,500
Total revenues	$ 64,414,534	$ 67,254,926	$ 57,270,115	$ 57,017,039

Source: Authority audited financial statements and records.

2011	2012	2013	2014	2015	2016
$ 2,919,614	$ 2,787,533	$ 2,442,338	$ 2,374,308	$ 2,276,000	$ 2,377,507
8,444,687	8,604,629	8,718,422	8,526,226	9,031,797	9,012,994
1,757,292	1,673,772	1,620,612	1,683,084	2,168,184	2,010,660
-	-	-	-	-	-
353,069	295,335	281,127	290,848	266,689	268,989
13,474,662	13,361,269	13,062,499	12,874,466	13,742,670	13,670,150
6,305,069	6,299,860	5,889,802	6,091,415	6,192,931	6,392,766
8,157,476	7,941,530	5,883,762	5,909,460	5,733,134	6,114,720
707,181	677,861	675,724	711,183	708,067	679,767
1,117,322	1,118,681	1,111,483	1,095,263	1,165,119	1,242,012
691,181	679,186	674,057	635,281	659,211	716,771
16,978,229	16,717,118	14,234,828	14,442,602	14,458,462	15,146,036
5,541,202	5,315,138	5,305,856	5,724,956	6,030,053	6,059,773
2,694,612	2,639,679	2,684,589	2,663,514	2,767,584	2,754,715
249,221	226,888	224,858	224,858	224,858	224,858
200,488	203,776	208,659	207,482	206,601	216,621
229,211	258,153	292,462	236,672	230,171	265,400
2,033,772	1,949,201	2,042,185	897,339	405,135	422,306
476,118	527,436	413,479	423,100	425,099	390,311
1,148,769	1,168,421	1,106,892	1,105,439	1,173,263	1,197,810
3,386,663	2,624,936	1,000,111	475,582	223,161	195,554
2,981,112	2,850,511	2,018,557	2,074,848	2,099,728	1,577,380
18,941,168	17,764,139	15,297,648	14,033,790	13,785,653	13,304,728
49,394,059	47,842,526	42,594,975	41,350,858	41,986,785	42,120,914
850,527	757,378	733,777	1,003,767	1,383,045	1,533,109
7,064,714	6,884,959	6,193,285	6,135,127	6,010,676	6,071,068
97,930	7,813	(466,024)	655,988	576,808	(47,097)
8,013,171	7,650,150	6,461,038	7,794,882	7,970,529	7,557,080
$ 57,407,230	$ 55,492,676	$ 49,056,013	$ 49,145,740	$ 49,957,314	$ 49,677,994

Principal Revenue Source Ratios

Fiscal Years Ended September 30

	2007	2008	2009	2010
Passenger airline rates and charges as a percentage of total operating revenues	26.1%	25.7%	28.4%	28.0%
Concession revenues as a percentage of total operating revenues	34.5%	32.8%	33.5%	33.7%
Non-passenger airline revenues as a percentage of total operating revenues	73.9%	74.3%	71.6%	72.0%
Enplaned passengers	2,195,493	2,202,373	1,837,175	1,855,615
Airline cost per enplaned passenger	$ 6.09	$ 6.43	$ 7.34	$ 7.36
Concession revenues per enplaned passenger	$ 8.07	$ 8.21	$ 8.66	$ 8.87
Operating revenues per enplaned passenger	$ 23.35	$ 25.00	$ 25.86	$ 26.28
Total revenues per enplaned passenger	$ 29.34	$ 30.54	$ 31.17	$ 30.73

Source: Enplaned passengers as reported by airlines.

Rates and Charges

Fiscal Years Ended September 30

	2007	2008	2009	2010
Signatory airlines				
Landing fee (per 1,000 lbs.)	$ 1.40	$ 1.51	$ 1.65	$ 1.55
Ticketing space (per sq. ft. per year)	$ 67.44	$ 67.44	$ 71.44	$ 71.44
Baggage claim (per sq. ft. per year)	$ 63.95	$ 63.95	$ 67.74	$ 67.74
Baggage makeup (per sq. ft. per year)	$ 40.46	$ 40.46	$ 42.86	$ 23.80
Baggage claim office (per sq. ft. per year)	$ 67.44	$ 67.44	$ 71.44	$ 71.44
Operations space (per sq. ft. per year)	$ 57.30	$ 57.30	$ 60.70	$ 60.70
Hold room (per gate per year)	$ 98,333.04	$ 98,333.04	$ 104,163.41	$ 105,152.00
Aircraft parking position (per gate per year)	$ 7,055.18	$ 7,055.18	$ 7,473.50	$ 7,473.50
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)	N.A.	$ 9.00	$ 9.00	$ 9.00
Garage (per day Apr - Sep)	$ 13.00	$ 13.00	$ 11.00	$ 9.00
Economy uncovered (per day)	$ 4.00	$ 4.00	$ 4.00	$ 4.00
Economy covered (per day Oct. - Mar.)	$ 6.00	$ 6.00	$ 5.00	$ 5.00
Economy covered (per day Apr. - Sep.)	$ 8.00	$ 8.00	$ 6.00	$ 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.

2011	2012	2013	2014	2015	2016
27.3%	27.9%	30.7%	31.1%	32.7%	32.5%
34.4%	34.9%	33.4%	34.9%	34.4%	36.0%
72.7%	72.1%	69.3%	68.9%	67.3%	67.5%
1,841,834	1,826,046	1,655,617	1,621,231	1,590,321	1,618,304
$ 7.32	$7.32	$7.89	$7.94	$8.64	$8.45
$ 9.22	$9.15	$8.60	$8.91	$9.09	$9.36
$ 26.82	$26.20	$25.73	$25.51	$26.40	$26.03
$ 31.17	$30.39	$29.63	$30.31	$31.41	$30.70

2011	2012	2013	2014	2015	2016
$ 1.35	$ 1.32	$ 1.31	$ 1.41	$ 1.31	$ 1.30
$ 73.86	$ 73.86	$ 76.30	$ 76.30	$ 78.81	$ 78.81
$ 70.04	$ 70.04	$ 72.36	$ 72.36	$ 74.74	$ 74.74
$ 24.61	$ 24.61	$ 25.42	$ 25.42	$ 26.26	$ 26.26
$ 73.86	$ 73.86	$ 76.30	$ 76.30	$ 78.81	$ 78.81
$ 62.76	$ 62.76	$ 64.84	$ 64.84	$ 66.97	$ 66.97
$ 107,700.75	$ 107,700.75	$ 111,263.62	$ 111,265.62	$ 114,926.26	$ 114,926.26
$ 7,726.84	$ 7,726.84	$ 7,982.45	$ 7,982.60	$ 8,245.20	$ 8,245.23
$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00
$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 9.00
$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 9.00
$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 9.00
$ 4.00	$ 4.00	$ 4.00	$ 4.00	$ 4.00	$ 4.00
$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00
$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00
10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Ratios of Outstanding Debt, Debt Service and Debt Limits

Fiscal Years Ended September 30

	2007	2008	2009	2010
Outstanding Debt Ratios				
Outstanding debt by type				
Senior lien revenue bonds	$ $36,500,000	$ 32,155,000	$ 27,630,000	$ 22,950,000
Subordinate lien revenue bonds	70,630,000	69,030,000	67,095,000	65,075,000
Junior subordinate lien revenue bonds	6,815,000	3,635,000	3,635,000	-
Notes payable	90,482	44,490	-	-
Total outstanding debt	$ 114,035,482	$ 104,864,490	$ 98,360,000	$ 88,025,000
Enplaned passengers	2,195,493	2,202,373	1,837,175	1,855,615
Outstanding debt per enplaned passenger	$ $51.94	$ 47.61	$ 53.54	$ 47.44
Operating revenues	$ 51,266,840	$ 55,061,122	$ 47,511,021	$ 48,757,539
Ratio of outstanding debt to operating revenues	2.22	1.90	2.07	1.81
Total revenues	$ 64,414,534	$ 67,254,926	$ 57,270,115	$ 57,017,039
Ratio of outstanding debt to total revenues	1.77	1.56	1.72	1.54
Debt Service Ratios				
Debt service				
Principal (1)	$ 5,028,480	$ 5,990,992	$ 6,504,490	$ 6,700,000
Interest	4,991,062	5,403,934	5,135,005	4,775,942
Total debt service	$ 10,019,542	$ 11,394,926	$ 11,639,495	$ 11,475,942
Debt service per enplaned passenger	$ 4.56	$ 5.17	$ 6.34	$ 6.18
Total expenses	$ 49,265,932	$ 51,533,129	$ 57,769,017	$ 55,100,558
Ratio of debt service to total expenses	0.20	0.22	0.20	0.21
Debt Limit (2)	N.A.	N.A.	N.A.	N.A.

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

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

Source: Authority audited financial statements.

2011	2012	2013	2014	2015	2016
$ 8,810,000	$ 4,510,000	$ -	$ -	$ -	$ -
62,960,000	60,730,000	58,385,000	55,930,000	53,345,000	50,635,000
-	-	-	-	-	-
-	-	-	-	-	-
$ 71,770,000	$ 65,240,000	$ 58,385,000	$ 55,930,000	$ 53,345,000	$ 50,635,000
1,841,834	1,826,046	1,655,617	1,621,231	1,590,321	1,618,304
$ 38.97	$ 35.73	$ 35.26	$ 34.50	$ 33.54	$ 31.29
$ 49,394,059	$ 47,842,526	$ 42,594,975	$ 41,350,858	$ 41,986,785	$ 42,120,914
1.45	1.36	1.37	1.35	1.27	1.20
$ 57,407,230	$ 55,492,676	$ 49,056,013	$ 49,145,740	$ 49,957,314	$ 49,677,994
1.25	1.18	1.19	1.14	1.07	1.02
$ 6,950,000	$ 6,530,000	$ 6,855,000	$ 2,455,000	$ 2,585,000	$ 2,710,000
4,761,308	3,621,515	3,288,317	2,944,190	2,819,690	2,688,815
$ 11,711,308	$ 10,151,515	$ 10,143,317	$ 5,399,190	$ 5,404,690	$ 5,398,815
$ 6.36	$ 5.56	$ 6.13	$ 3.33	$ 3.40	$ 3.34
$ 50,532,322	$ 49,480,328	$ 49,562,319	$ 51,281,066	$ 48,056,272	$ 45,784,392
0.23	0.21	0.20	0.11	0.11	0.12
N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Airport Revenue Bond Coverage Per Bond Resolutions

Fiscal Years Ended September 30

	2007	2008	2009	2010
Senior Lien Revenue Bond Debt Service Coverage				
Operating revenues	$ 51,266,840	$ 55,061,122	$ 47,511,021	$ 48,757,539
Interest income (1)	3,119,822	2,684,419	1,290,242	675,665
Transfer from airline reserve fund (2)	1,830,935	2,354,525	2,078,826	4,471,531
Total revenues	56,217,597	60,100,066	50,880,089	53,904,735
Operation and maintenance expenses	(31,587,812)	(33,734,007)	(30,211,323)	(29,017,766)
Net revenues	24,629,785	26,366,059	20,668,766	24,886,969
Senior lien debt service requirement				
Series 2001A,B,C	1,305,469	1,305,996	1,307,268	1,309,878
Series 2003 refunding	4,734,563	4,737,362	4,739,196	4,737,575
Total senior lien debt service	$ 6,040,032	$ 6,043,358	$ 6,046,464	$ 6,047,453
Senior lien revenue bond debt service coverage	4.08	4.36	3.42	4.12
Required minimum coverage	1.25	1.25	1.25	1.25
Subordinate Lien Revenue Bond Debt Service Coverage				
Net revenues	$ 24,629,785	$ 26,366,059	$ 20,668,766	$ 24,886,969
PFC revenues transferred for subordinate lien debt service	3,563,076	4,659,322	4,875,789	4,876,327
Subtotal	28,192,861	31,025,381	25,544,555	29,763,296
Senior lien debt service	(6,040,032)	(6,043,358)	(6,046,464)	(6,047,453)
Net revenues available for subordinate lien debt service	22,152,829	24,982,023	19,498,091	23,715,843
Subordinate lien debt service requirement				
Series 2001	2,865,410	2,865,365	2,864,257	2,864,665
Series 2006	697,666	2,294,062	2,572,292	2,572,458
Total subordinate lien debt service	$ 3,563,076	$ 5,159,427	$ 5,436,549	$ 5,437,123
Subordinate lien revenue bond debt service coverage	6.22	4.84	3.59	4.36
Required minimum coverage	1.10	1.10	1.10	1.10
Total Revenue Bond Debt Service Coverage				
Net revenues	$ 24,629,785	$ 26,366,059	$ 20,668,766	$ 24,886,969
PFC revenues transferred for subordinate lien debt service	3,563,076	4,659,322	4,875,789	4,876,327
Subtotal	28,192,861	31,025,381	25,544,555	29,763,296
Total revenue bond debt service requirement				
Senior lien bonds	6,040,032	6,043,358	6,046,464	6,047,453
Subordinate lien bonds	3,563,076	5,159,427	5,436,549	5,437,123
Junior subordinate lien bonds	366,522	142,229	49,594	10,785
Total revenue bond debt service	$ 9,969,630	$ 11,345,014	$ 11,532,607	$ 11,495,361
Total revenue bond debt service coverage	2.83	2.73	2.21	2.59
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.

2011	2012	2013	2014	2015	2016
$ 49,394,059	$ 47,842,526	$ 42,594,975	$ 41,350,858	$ 41,986,785	$ 42,120,914
483,890	423,027	408,225	558,471	783,869	897,339
2,217,351	1,867,127	1,828,523	170,566	4,015,500	-
52,095,300	50,132,680	44,831,723	42,079,895	46,786,154	43,018,253
(30,145,524)	(29,286,727)	(28,555,886)	(31,512,439)	(28,389,788)	(28,249,055)
21,949,776	20,845,953	16,275,837	10,567,456	18,396,366	14,769,198
1,307,078	-	-	-	-	-
4,736,833	4,738,833	3,157,000	-	-	-
$ 6,043,911	$ 4,738,833	$ 3,157,000	$ -	$ -	$ -
3.63	4.40	5.16	-	-	-
1.25	1.25	1.25	1.25	1.25	1.25
$ 21,949,776	$ 20,845,953	$ 16,275,837	$ 10,567,456	$ 18,396,366	$ 14,769,198
4,878,142	4,897,807	4,836,868	4,805,218	4,763,643	4,656,554
26,827,918	25,743,760	21,112,705	15,372,674	23,160,009	19,425,752
(6,043,911)	(4,738,833)	(3,157,000)	-	-	-
20,784,007	21,004,927	17,955,705	15,372,674	23,160,009	19,425,752
2,863,990	2,882,873	2,826,757	2,843,423	2,844,923	2,792,315
2,575,642	2,576,642	2,570,475	2,573,183	2,516,683	2,445,225
$ 5,439,632	$ 5,459,515	$ 5,397,232	$ 5,416,606	$ 5,361,606	$ 5,237,540
3.82	3.85	3.33	2.84	4.32	3.71
1.10	1.10	1.10	1.10	1.10	1.10
$ 21,949,776	$ 20,845,953	$ 16,275,837	$ 10,567,456	$ 18,396,366	$ 14,769,198
4,878,142	4,897,807	4,836,868	4,805,218	4,763,643	4,656,554
26,827,918	25,743,760	21,112,705	15,372,674	23,160,009	19,425,752
6,043,911	4,738,833	3,157,000	-	-	-
5,439,632	5,459,515	5,397,232	5,416,606	5,361,606	5,237,540
49,594	10,785	-	-	-	-
$ 11,483,543	$ 10,198,348	$ 8,554,232	$ 5,416,606	$ 5,361,606	$ 5,237,540
2.34	2.52	2.47	2.84	4.32	3.71
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)

	2007	2008	2009	2010
Primary service area				
Pima County, Arizona	977,258	984,032	984,274	980,263
Annual % change	1.9%	0.7%	0.0%	-0.4%
Secondary service area				
Cochise County, Arizona	129,522	130,567	130,296	131,346
Graham County, Arizona	35,485	36,453	37,281	37,220
Greenlee County, Arizona	8,278	8,808	8,533	8,437
Pinal County, Arizona	333,977	358,190	364,995	375,770
Santa Cruz County, Arizona	46,519	47,016	47,384	47,420
Total secondary service area	553,781	581,034	588,489	600,193
Annual % change	6.2%	4.9%	1.3%	2.0%
Total primary and secondary service areas	1,531,039	1,565,066	1,572,763	1,580,456
Annual % change	3.4%	2.2%	0.5%	0.5%
State of Arizona	6,274,981	6,368,649	6,389,081	6,392,017
Annual % change	2.6%	1.5%	0.3%	0.1%
United States	301,290,332	304,059,724	307,006,550	308,745,538
Annual % change	1.0%	0.9%	1.0%	0.6%

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

	2007	2008	2009	2010
Primary Service Area				
Pima County, Arizona	3.6%	5.6%	8.8%	9.4%
Secondary service area				
Cochise County, Arizona	4.0%	5.6%	7.8%	8.8%
Graham County, Arizona	4.2%	6.8%	14.7%	14.2%
Greenlee County, Arizona	3.2%	5.1%	18.5%	11.4%
Pinal County, Arizona	4.5%	7.1%	12.0%	11.6%
Santa Cruz County, Arizona	7.3%	10.6%	15.4%	17.1%
Total secondary service area	4.5%	6.9%	11.4%	11.5%
Total primary and secondary service areas	3.9%	6.0%	9.7%	10.1%
State of Arizona	3.7%	6.0%	9.9%	10.5%
United States	4.6%	5.8%	9.3%	9.6%

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.

2011	2012	2013	2014	2015	2016
986,081	990,380	996,046	1,007,162	1,009,371	1,013,103
0.6%	0.4%	0.6%	1.1%	0.2%	0.4%
130,537	130,752	130,906	129,628	129,112	128,343
37,710	37,314	37,872	38,315	38,475	38,303
8,380	8,599	10,913	10,476	10,555	10,433
384,231	389,192	393,813	396,237	406,468	413,312
48,088	48,724	49,218	49,554	50,270	50,581
608,946	614,581	622,722	624,210	634,880	640,972
1.5%	0.9%	1.3%	0.2%	1.7%	1.0%
1,595,027	1,604,961	1,618,768	1,631,372	1,644,251	1,654,075
0.9%	0.6%	0.9%	0.8%	0.8%	0.6%
6,438,178	6,498,569	6,581,054	6,667,241	6,758,251	6,835,518
0.7%	0.9%	1.3%	1.3%	1.4%	1.1%
311,582,564	313,873,685	316,128,839	317,297,938	321,422,019	323,127,513
0.9%	0.7%	0.7%	0.4%	1.3%	0.5%

2011	2012	2013	2014	2015	2016
8.3%	7.3%	6.9%	6.3%	5.7%	5.0%
8.8%	8.2%	8.5%	8.3%	7.6%	6.3%
10.4%	8.9%	8.1%	6.9%	7.7%	6.7%
8.2%	6.0%	6.7%	6.5%	8.5%	7.7%
10.3%	8.9%	8.4%	7.4%	6.6%	5.6%
17.0%	17.2%	18.0%	16.2%	14.6%	10.1%
10.4%	9.3%	9.1%	8.2%	7.6%	6.2%
9.0%	7.9%	7.7%	6.9%	6.4%	5.4%
9.5%	8.3%	8.0%	8.0%	6.0%	5.4%
8.9%	8.1%	7.4%	6.2%	5.1%	4.9%

Major Employers in the Air Service Area

Full-time Equivalent Employees

Employer	Industry Sector	2007	2008	2009	2010
University of Arizona	Education	10,354	10,535	10,575	10,363
Raytheon Missile Systems	Manufacturing	11,184	12,515	11,539	12,140
State of Arizona	State Government	9,927	10,754	9,329	8,708
Davis-Monthan Air Force Base	Military	8,233	7,701	7,509	7,755
Pima County	Local Government	7,290	6,954	6,235	6,511
Tucson Unified School District No. 1	Education	7,419	8,018	7,227	7,012
Banner - University Medicine (2)	Health Services	3,094	3,304	3,552	3,542
U.S. Customs and Border Protection	Federal Government	2,763	2,975	3,468	3,530
Freeport-McMoRan nc.	Mining	4,900	5,840	5,987	3,997
Wal-Mart Stores, Inc.	Retail	5,625	5,805	6,715	7,192
U.S. Army Intelligence Center, Fort Huachuca	Military	9,119	6,701	6,463	6,236
City of Tucson	Local Government	5,848	5,848	5,635	5,399
Tohono O'odham Nation	Local Government	3,825	2,725	4,553	4,353
Carondelet Health Network	Health Services	4,319	4,766	4,570	4,566
TMC HealthCare	Health Services	3,474	3,038	3,184	3,050
Southern Arizona V.A. Health Care System	Health Services	1,730	1,729	2,026	2,117
Corrections Corporation of America	Government Services	1,441	1,778	2,468	2,512
Fry's Food Stores	Retail	1,806	2,268	2,668	3,109
Pima Community College	Education	2,211	2,325	2,299	2,309
Asarco	Mining	1,950	2,185	2,575	2,125
Sunnyside Unified School District	Education	2,690	2,685	2,358	2,120
Afni, Inc.	Call Center	1,471	1,409	1,628	1,893
APAC Customer Services Inc.	Call Center	(1)	(1)	(1)	1,475
Pinal County	Local Government	2,134	2,321	2,450	2,455
Amphitheater Unified School District	Education	2,187	2,096	2,096	1,965
Vail Unified School District	Education	(1)	(1)	(1)	1,444
Target Corp.	Retail	1,200	1,623	1,800	1,900
Citi	Call Center	2,000	1,900	2,400	2,500
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	1,808	2,124	1,671	1,658
U.S. Postal Service	Federal Government	1,837	1,800	1,930	1,810
Walgreen Co.	Retail	1,381	1,303	1,443	1,511
GEICO	Insurance	(1)	(1)	(1)	(1)
Marana Unified School District	Education	1,776	1,866	1,836	1,755
University Physicians Healthcare (2)	Health Services	1,904	1,856	2,039	2,219

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.

2011	2012	2013	2014	2015	2016	Percentage of Total Employment
10,481	10,681	10,846	11,047	11,235	11,251	1.8%
10,500	10,500	10,300	9,933	9,600	9,600	1.5%
8,866	9,061	8,807	9,439	8,524	8,580	1.4
8,462	8,566	9,100	8,933	8,335	8,406	1.3%
6,403	6,170	6,076	7,328	7,023	7,060	1.1%
6,709	6,674	6,790	6,525	7,134	6,770	1.1%
5,982	5,594	6,099	6,329	6,542	6,272	1.0%
3,669	6,000	6,500	4,135	6,470	5,739	0.9%
4,803	5,068	5,463	5,600	5,800	5,530	0.9%
7,308	7,300	7,450	5,200	5,400	5,500	0.9%
6,225	6,198	5,096	5,717	5,314	5,477	0.9%
4,930	4,541	4,585	4,845	4,882	4,595	0.7%
4,353	4,350	4,350	4,350	4,350	4,350	0.7%
4,690	4,635	3,668	3,476	3,943	3,860	0.6%
2,966	2,904	2,977	2,954	2,976	3,162	0.5%
2,208	2,151	2,182	2,450	2,255	2,464	0.4%
2,487	2,482	2,314	2,146	2,300	2,413	0.4%
3,100	3,100	2,700	2,024	2,136	2,346	0.4%
2,336	2,386	2,384	2,177	2,207	2,235	0.4%
2,262	2,348	2,297	2,366	2,427	2,200	0.4%
2,145	2,125	2,083	2,000	2,200	2,100	0.3%
2,100	2,198	2,199	1,950	2,220	1,900	0.3%
1,570	1,650	1,777	1,904	1,904	1,889	0.3%
2,340	1,952	1,993	1,931	1,917	1,852	0.3%
1,924	1,920	1,833	1,814	1,789	1,739	0.3%
1,362	1,442	1,469	1,578	1,625	1,705	0.3%
1,773	1,639	1,640	1,640	1,640	1,640	0.3%
2,000	2,000	2,000	1,900	1,800	1,600	0.3%
(1)	(1)	(1)	(1)	(1)	1,600	0.3%
(1)	(1)	1,300	1,500	1,600	1,592	0.3%
1,758	1,532	1,757	1,722	1,651	1,585	0.3%
1,899	1,562	1,558	1,226	1,496	1,531	0.2%
1,726	1,399	1,420	1,420	1,459	1,419	0.2%
(1)	(1)	(1)	(1)	(1)	1,411	0.2%
1,606	1,600	1,657	1,706	1,754	1,404	0.2%
(2)	(2)	(2)	(2)	(2)	(2)	0.0%

Authority Employees

Authorized Full-Time Equivalent Positions as of September 30

	2007	2008	2009	2010	2011
Management	4.25	4.25	4.25	4.00	4.00
Legal	2.50	2.50	2.50	4.00	4.00
Public Information/Government Affairs	4.00	4.00	4.00	4.00	-
Administration/Properties	9.00	9.00	9.00	9.00	7.00
Information Technology and Telecommunications	11.00	11.00	11.00	11.00	11.00
Team Member Services and Development	6.00	6.00	6.00	5.00	5.00
Procurement	9.50	9.50	9.50	9.00	9.00
Business Development and Marketing	-	-	-	-	7.00
Office, Records, and Warehouse Management	-	-	-	-	-
Finance	9.75	9.75	9.75	10.00	10.00
Projects	31.75	31.75	31.75	31.00	25.00
Operations Management	3.00	3.00	3.00	7.00	7.00
Airside Operations	5.00	5.00	5.00	-	-
Police	53.50	52.50	53.50	53.50	51.00
Fire	19.00	19.00	19.00	18.00	17.00
Communications/Dispatch	13.00	13.00	13.00	13.00	12.00
Custodial	54.00	54.00	54.00	53.00	53.00
Flight Line Services	31.50	31.50	29.50	29.00	25.00
Maintenance	41.00	41.00	41.00	43.00	42.00
Ryan Airfield	2.50	2.50	2.50	-	-
Total	310.25	309.25	308.25	303.50	289.00

Source: Authority records.

2012	2013	2014	2015	2016
4.00	4.00	4.00	3.00	3.00
3.00	3.00	3.00	3.00	3.00
-	-	-	-	-
7.00	7.00	8.00	7.00	7.00
9.00	9.00	9.00	9.00	9.00
5.00	5.00	5.00	4.00	4.00
9.00	8.00	7.00	6.00	6.00
5.00	4.00	4.00	4.00	4.00
-	-	-	9.00	10.00
9.00	9.00	8.00	7.00	7.00
22.00	21.00	29.00	24.50	24.50
7.00	9.00	3.00	2.00	2.00
-	-	7.25	8.00	8.00
48.50	47.50	46.00	44.00	44.00
16.50	17.00	17.00	17.00	17.00
12.00	12.00	12.00	13.00	12.00
44.00	43.00	42.00	42.00	42.00
23.00	16.00	2.00	-	-
40.00	40.00	38.50	37.00	37.00
-	-	-	-	-
264.00	254.50	244.75	239.50	239.50

Airport Information
Tucson International Airport

As of September 30

Airport code:	TUS
FAA category:	Commercial service, small 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

		2007	2008	2009	2010
Land area (acres):		8,244	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	1,474,485	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.

Information in this format was not available for periods prior to fiscal year 2007.

2011	2012	2013	2014	2015	2016
8,343	8,343	8,343	8,343	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	35,067	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	12,076	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

		2007	2008	2009	2010
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.

2011	2012	2013	2014	2015	2016
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	465,000	436,000	436,000	436,000

Passenger, Cargo and Mail Summary
Tucson International Airport

Fiscal Years Ended September 30

	2007	2008	2009	2010
Passengers				
Enplaned	2,195,493	2,202,373	1,837,175	1,855,615
Deplaned	2,178,878	2,192,832	1,832,749	1,853,563
Total	4,374,371	4,395,205	3,669,924	3,709,178
Annual % change	3.5%	0.5%	-16.5%	1.1%
Air Freight (pounds)				
All-cargo carriers				
Enplaned	30,376,299	29,434,704	26,312,873	27,826,292
Deplaned	47,832,536	43,990,112	33,482,706	38,460,356
Total	78,208,835	73,424,816	59,795,579	66,286,648
Annual % change	-3.4%	-6.1%	-18.6%	10.9%
Passenger carriers				
Enplaned	1,060,634	851,369	714,317	938,253
Deplaned	2,453,912	2,661,911	2,312,730	2,146,039
Total	3,514,546	3,513,280	3,027,047	3,084,292
Annual % change	-10.9%	0.0%	-13.8%	1.9%
Mail (pounds)				
Enplaned	189,674	1,871	243	189
Deplaned	608,901	10,614	8,852	9,324
Total	798,575	12,485	9,095	9,513
Annual % change	-73.4%	-98.4%	-27.2%	4.6%

Source: Authority records based on airline reporting.

2011	2012	2013	2014	2015	2016
1,841,834	1,826,046	1,655,617	1,621,231	1,590,321	1,618,304
1,835,060	1,823,737	1,653,003	1,618,618	1,591,580	1,610,085
3,676,894	3,649,783	3,308,620	3,239,849	3,181,901	3,228,389
-0.9%	-0.7%	-9.3%	-2.1%	-1.8%	1.5%
25,242,128	26,487,591	29,923,629	29,713,492	27,929,293	25,854,899
33,726,997	42,433,770	36,390,827	33,480,907	36,302,965	34,188,437
58,969,125	68,921,361	66,314,456	63,194,399	64,232,258	60,043,336
-11.0%	16.9%	-3.8%	-4.7%	1.6%	-6.5%
840,931	915,005	671,255	581,698	812,252	690,595
1,798,178	1,595,464	1,374,109	1,020,436	1,140,052	1,103,759
2,639,109	2,510,469	2,045,364	1,602,134	1,952,304	1,794,354
-14.4%	-4.9%	-18.5%	-21.7%	21.9%	-8.1%
1,681	5,391	5,291	5,419	3,041	2,160
11,313	6,991	9,301	10,979	25,485	83,158
12,994	12,382	14,592	16,398	28,526	85,318
36.6%	-4.7%	17.8%	12.4%	74.0%	199.1%

Aircraft Operations Summary

Fiscal Years Ended September 30

	2007	2008	2009	2010
Tucson International Airport				
Air carrier	42,666	43,078	35,551	35,143
Air taxi	28,158	30,481	21,953	23,388
Military	31,601	28,437	29,412	30,687
General aviation	154,215	129,965	94,470	79,265
Total	256,640	231,961	181,386	168,483
Annual % change	-8.8%	-9.6%	-21.8%	-7.1%
Ryan Airfield (1)				
Air carrier	-	2	2	-
Air taxi	4	4	9	4
Military	3,374	3,210	5,287	4,190
General aviation	216,745	197,832	121,881	117,518
Total	220,123	201,048	127,179	121,712
Annual % change	21.2%	-8.7%	-36.7%	-4.3%

(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	2007	% of Total	2008	2009	2010	2011
American Airlines	732,780	33.4%	688,539	628,514	613,751	626,260
Southwest Airlines	638,929	29.1%	644,277	594,120	606,913	618,007
Delta Air Lines	236,613	10.8%	252,517	213,295	212,276	199,841
United Airlines	383,032	17.4%	342,893	271,318	288,570	263,890
Alaska Airlines	53,175	2.4%	56,856	49,490	50,134	52,967
Frontier Airlines	65,351	3.0%	72,904	74,500	79,777	80,869
Sun Country Airlines	-	0.0%	5,772	5,932	4,194	-
Aerolitoral	5,442	0.2%	8,249	6	-	-
ExpressJet Airlines	41,549	1.9%	108,524	-	-	-
JetBlue Airways	38,622	1.8%	21,842			
Total	2,195,493	100.0%	2,202,373	1,837,175	1,855,615	1,841,834

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.

2011	2012	2013	2014	2015	2016
35,911	34,423	30,593	30,527	28,624	32,888
21,959	20,309	20,417	19,308	20,126	17,541
27,569	24,887	25,133	24,693	28,050	26,974
72,893	65,545	62,120	64,892	64,622	62,152
158,332	145,164	138,263	139,420	141,422	139,555
-6.0%	-8.3%	-4.8%	0.8%	1.4%	-1.3%
-	-	-	-	2	-
20	-	2	-	-	-
3,446	9,744	14,914	14,675	20,464	16,483
108,541	107,531	106,658	103,135	97,017	94,376
112,007	117,275	121,574	117,810	117,483	110,859
-8.0%	4.7%	3.7%	-3.1%	-0.3%	-5.6%

2012	2013	2014	2015	% of Total	2016	% of Total
638,794	605,261	638,006	628,962	39.6%	616,346	38.0%
623,484	592,375	530,680	506,260	31.8%	497,687	30.8%
199,117	181,950	179,842	181,236	11.4%	216,432	13.4%
262,245	222,485	198,926	203,459	12.8%	215,208	13.3%
57,391	53,546	73,777	70,404	4.4%	72,631	4.5%
45,015	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
				0.0%	-	0.0%
1,826,046	1,655,617	1,621,231	1,590,321	100.0%	1,618,304	100.0%

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

Fiscal Years Ended September 30

Carrier	2007	% of Total	2008	2009	2010	2011
Passenger carriers						
American Airlines	818,424	31.4%	765,121	675,866	661,672	697,146
Southwest Airlines	794,498	30.4%	880,596	787,992	762,806	800,968
Delta Air Lines	271,156	10.4%	273,467	218,425	230,247	208,625
United Airlines	444,995	17.0%	395,125	301,105	342,923	315,044
Alaska Airlines	51,019	2.0%	61,490	52,302	52,205	52,495
Frontier Airlines	92,775	3.6%	103,673	95,306	91,767	88,674
Sun Country Airlines	-	0.0%	7,300	8,367	5,983	-
Aerolitoral	10,036	0.4%	10,559	43	-	-
ExpressJet Airlines	71,278	2.7%	167,190	-	-	-
JetBlue Airways	55,899	2.1%	35,862	-	-	-
Total	2,610,080	100.0%	2,700,383	2,139,406	2,147,603	2,162,952
Cargo carriers						
Federal Express	140,682	60.2%	136,694	141,821	144,005	139,971
Ameriflight	3,075	1.3%	4,347	9,706	8,243	8,539
UPS	58,800	25.2%	62,768	22,470	-	-
DHL	31,204	13.3%	29,171	6,630	-	-
Total	233,761	100.0%	232,980	180,627	152,248	148,510
Grand total	2,843,841		2,933,363	2,320,033	2,299,851	2,311,462

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	% of Total	2016	% of Total
683,765	668,463	704,729	682,507	39.3%	696,297	38.1%
810,352	708,544	600,950	582,838	33.5%	575,400	31.5%
213,304	191,419	188,555	185,116	10.6%	243,961	13.3%
299,888	242,435	215,279	217,723	12.5%	241,336	13.2%
58,787	53,504	76,872	71,231	4.1%	71,857	3.9%
46,009	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
2,112,104	1,864,365	1,786,385	1,739,415	100.0%	1,828,851	100.0%
145,331	149,664	146,110	149,500	94.8%	158,676	95.2%
9,044	9,617	9,323	8,211	5.2%	7,955	4.8%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
154,374	159,281	155,433	157,711	100.0%	166,631	100.0%
2,266,479	2,023,646	1,941,818	1,897,126		1,995,482	

Scheduled Air Service Information
Tucson International Airport

Month of September

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Number of daily nonstop destinations	24	18	15	15	15	14	14	14	13	13
Number of nonstop flights per day										
Albuquerque	2	2	2	2	2	2	-	-	-	-
Atlanta	2	2	2	2	2	2	2	2	2	2
Austin	2	-	-	-	-	-	-	-	-	-
Charlotte	-	1	-	-	-	-	-	-	-	-
Chicago Midway	2	2	1	1	1	2	2	1	1	1
Chicago O'Hare	3	2	2	2	2	2	1	1	1	1
Dallas/Fort Worth	8	7	7	7	7	7	7	7	6	6
Denver	6	6	7	8	7	4	4	5	5	5
El Paso	1	-	-	-	-	-	-	-	-	-
Hermosillo, Mexico	1	1	-	-	-	-	-	-	-	-
Houston Bush	4	4	4	4	4	4	4	4	3	3
Kansas City	1	-	-	-	-	-	-	-	-	-
Las Vegas	7	5	5	5	5	4	4	4	3	3
Los Angeles International	11	10	10	10	12	9	9	8	8	10
Minneapolis	1	1	1	1	1	-	-	-	-	-
Oakland	-	1	-	-	-	-	-	-	-	-
Ontario, CA	3	-	-	-	-	-	-	-	-	-
New York Kennedy	1	-	-	-	-	-	-	-	-	-
Newark	1	-	-	-	-	-	-	-	-	-
Portland	-	-	-	-	-	-	-	1	-	-
Phoenix	11	9	10	9	9	8	9	9	10	9
Sacramento	2	-	-	-	-	-	-	-	-	-
Salt Lake City	5	4	3	4	3	3	3	3	3	2
San Antonio	2	-	-	-	-	-	-	-	-	-
San Diego	3	4	4	3	3	3	3	3	3	3
San Francisco	1	1	1	1	2	1	1	1	1	2
Seattle	1	1	1	1	1	1	1	1	1	1
Total	81	63	60	60	61	52	50	50	47	48
Average scheduled seats per day	7,804	6,546	6,081	6,245	5,949	5,518	4,990	5,041	4,634	4,892

Source: Official Airline Guide.

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