



# Tri-Cities Airport Authority

## Tri-Cities Airport, TN/VA

Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2023

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# Tri-Cities Airport Authority

Blountville, Tennessee

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**Jointly Governed by**  
Bristol, TN  
Bristol, VA  
Johnson City, TN  
Kingsport, TN  
Sullivan County, TN  
Washington County, TN



Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2023

Prepared by:  
Finance Department

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# Introduction

- Vision and Mission
- Commissioners and Senior Staff
- Letter of Transmittal
- GFOA Certificate of Achievement
- Organization Chart



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# Tri-Cities Airport Authority

Tri-Cities Airport, TN/VA

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## **Vision**

To be a premier air transportation center  
and a catalyst for economic growth

## **Mission**

To support economic growth by providing the best  
available facilities and service for passengers,  
air cargo, corporate and general aviation



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# **TRI-CITIES AIRPORT AUTHORITY**

## **AUTHORITY COMMISSIONERS AND SENIOR STAFF**

**As of June 30, 2023**

### **Authority Commissioners**

**Mr. William "Bill" Sorah, Chairman**  
**Mr. J. Parker Smith, Vice Chairman**  
**Mr. Randall Eads, Secretary-Treasurer**  
**Mr. Lewis Wexler, Assistant Secretary-Treasurer**  
**Mr. Ken Maness**  
**Mr. Todd Hensley**  
**Mr. Dan Mahoney**  
**Mr. Kenneth Huffine**  
**Mr. Mark Ireson**  
**Mayor Richard Venable**  
**Ms. Cathy Ball**  
**Dr. Jon L. Smith**

### **Airport Senior Staff**

**David E. Cossey, Executive Director**  
**David Jones, Deputy Executive Director**  
**Rene L. Weber, Director of Finance**  
**Kristi Haulsee, Director of Marketing and Air Service Development**  
**Mark Canty, Director of Business Development**  
**Kathy Yakley, Manager of Human Resources and Administrative Services**



≈≈≈ Letter of Transmittal ≈≈≈

November 29, 2023

**Members of the Tri-Cities Airport Authority:**

The Tri-Cities Airport Authority hereby submits the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. The Airport prepared the accompanying report in accordance with generally accepted accounting principles (GAAP) and Blackburn, Childers & Steagall, PLC audited the report in accordance with generally accepted auditing standards.

The Tri-Cities Airport Authority Finance Department prepared the report and assumes full responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. To the best of management's knowledge and belief, the enclosed data is accurate in all material respects, and presents the report in a manner that presents fairly the financial position and results of operations of the proprietary fund of the Tri-Cities Airport Authority.

The Airport prepared the ACFR using the guidelines set forth by the Government Finance Officers Association of the United States and Canada (GFOA) to be eligible for application for the Certificate of Achievement Award. GFOA guidelines require management to provide a narrative introduction, overview, and analysis to accompany the financial statements in the Management's Discussion and Analysis (MD&A). Readers should review this letter of Transmittal alongside the MD&A that is in the Financial Section.

**REPORTING ENTITY**

The Tri-Cities Airport Authority (Authority) is a public body, corporate and politic, that was established, effective September 12, 2012, pursuant to the laws permitting the creation of and defining the powers of regional airport authorities in the State of Tennessee (*Tennessee Code Annotated § 42-3-104 through § 42-3-119*). Responsibilities of the Authority include directing development, operation, maintenance, control, and administration of the Tri-Cities Airport.

Prior to September 12, 2012, the Tri-Cities Airport Commission operated and managed the Airport for the owners consisting of the cities of Bristol, TN; Bristol, VA; Johnson City, TN; Kingsport, TN; Sullivan County, TN; and Washington County, TN. The Authority is a separate legal entity existing apart from the former Airport Commission. The Authority adopted a new logo on August 25, 2016, and deleted Regional from the airport name such that the airport is now known as the Tri-Cities Airport.

The Authority assumed, adopted, and ratified, unconditionally all real and personal property, other assets, contracts, agreements, leases, grant assurances, and most other legal obligations of the Owners and the Tri-Cities Airport Commission related in any manner to the Airport. The Authority also assumed and adopted all rules, regulations, and procedures which are in place to operate the Airport.



**REPORTING ENTITY (CONTINUED)**

Four cities and two counties appoint the twelve-member Board of Commissioners of the Authority. Commissioners have one vote each. Each entity appoints a specified number of Commissioners as listed below.

<b>Governmental Entity</b>	<b>Representation</b>
Washington County, Tennessee	3 Board Members
City of Johnson City, Tennessee	3 Board Members
Sullivan County, Tennessee	2 Board Members
City of Kingsport, Tennessee	2 Board Members
City of Bristol, Tennessee	1 Board Member
City of Bristol, Virginia	1 Board Member

Officers of the Authority include Chairman, Vice-Chairman, Secretary-Treasurer, and Assistant Secretary-Treasurer. The Authority has five standing committees which are advisory in nature. However, committees are authorized to make decisions that are binding on the Authority with prior approval by the Commissioners. Committees are Executive, Administration and Operations, Marketing, Airfield Development, and Air Cargo and Trade Development.

**MANAGEMENT**

The Authority hires the Executive Director to direct all business, administration, operations, and planning for the airport. The Executive Director manages a staff of 51 full-time employees, as of June 30, 2023. Staff in eleven departments are responsible for day-to-day administrative, financial, operational and personnel matters related to the Tri-Cities Airport.

David E. Cossey, Executive Director, oversees the administrative, marketing, finance, and air cargo and trade development departments.

David Jones, Deputy Executive Director, oversees operations, access control, janitorial, maintenance, public safety, and airline services departments. The operations department ensures the Airport complies with FAA standards and regulations. Operations is also responsible for preparing state and federal grant applications and coordinates the efforts of engineering, consultants, and others to complete the design and construction of all capital improvement projects at the Airport.

Rene Weber, Director of Finance, manages accounting functions, including the Airport’s budgets, audits, payables, receivables, payroll, and financial reporting. The finance department handles all financial obligations and/or indebtedness.

Kristi Haulsee, Director of Marketing and Air Service Development, works with two staff members in the marketing department. The department manages public and airline relations, marketing the Airport to passengers and prospective airlines, and customer experience. Marketing staff also monitor media and social comments and collect and review data relating to air service development efforts.

Mark Canty, Director Business Development, is responsible for the development of new business opportunities including Aerospace Park and Airport property within the terminal and air cargo center. Canty also directs administration of Foreign Trade Zone No. 204 and coordinates and promotes use of U.S. Customs and Border Protection Port No. 2027 within the greater Tri-Cities region.

## **MANAGEMENT (CONTINUED)**

Kathy Yakley, Manager of Human Resources and Administrative Services is responsible for employee relations and benefits, retirement programs and property administration.

### **THE TRI-CITIES AIRPORT TODAY**

Tri-Cities Airport (IATA airport code: TRI) primarily serves residents and businesses in Northeast Tennessee and Southwest Virginia. However, residents and businesses from portions of Western North Carolina and Southeastern Kentucky also use TRI as their airport of choice. The Airport is centrally located between the cities of Bristol, Johnson City, and Kingsport in Tennessee, and Bristol, Virginia. The Airport has been providing commercial air service to the region for 86 years, as of November 2023.

The Airport's property covers approximately 1,290 acres of land, eighty-nine acres in easements, and a 113,532 square-foot passenger terminal building with office space, seven gates, three commercial airlines, eight national rental car brands, restaurant, pub, gift shop, business center, and a CBP Global Entry Enrollment Station. Adequate short-term and long-term parking are available for passengers and guests.

Aerospace Park is a 160-acre development site designed as a hub for aircraft-related maintenance, repair, and overhaul companies. The development is located on the south side of the airfield offering direct airfield access, utilities, and paved access roads. Construction of the site was completed in September 2021. In April 2022, the Authority approved a lease agreement with the first Aerospace Park tenant.

The 13,000 square-foot Air Cargo Logistics Center houses U.S. Customs and Border Protection Port No. 2027 and is located within Foreign Trade Zone No. 204. Port of Tri-Cities-2027 is a federally staffed, full-service customs station allowing passengers and imported goods to clear Customs in the Tri-Cities avoiding congestion and delays common at larger ports of entry. The air cargo site includes a 5-acre cargo apron with a 75-foot-wide taxiway system.

A fixed based operator (FBO) operates on Airport property to accommodate private and corporate aircraft operations. The FBO serves as the access point for customers who are not using commercial airline service and provides aircraft storage, fuel, and maintenance services.

The Authority maintains two websites providing travelers and the public with information relevant to the Airport's operations and to promote Aerospace Park. The website URLs are **TRIflight.com** and **TRIAerospacePark.com**. The Authority also uses social media outlets Facebook, Twitter (X), Instagram and LinkedIn to not only promote the airport, but to also keep passengers updated on airport operations or issues that may cause airline delays or cancellations.

## **ECONOMIC CONDITIONS AND OUTLOOK**

### ***Airport***

The Authority works diligently to provide a safe, clean, efficient, and welcoming environment for air travel, as well as for passengers, guests, and employees. One of the Authority's top priorities is to restore and grow air service for the region. Historically, the Authority has witnessed almost half of local passengers traveling to other airports for flights. Analysis conducted by airport staff shows that much of that leakage is attributed to factors including fewer seats, which can lead to higher air fare prices at TRI, and more non-stop flight options at the other airports.

Passenger traffic continued to recover in fiscal year 2023 from the decline resulting from the Covid-19 pandemic. Business travel improved but has not recovered to 2019 levels. The Airport's specific passenger mix is difficult to determine as travel patterns, behaviors, and trends have changed following the Covid-19 pandemic. Passengers with flexible work arrangements are blending business and leisure trips, challenging the previous metrics of business versus leisure travel. Blended travel is not new, but it has grown during the past two years. Blended travel has shown to offer higher yields for airlines, rental car companies and hotels. Airlines are taking note of this trend and working toward seat configurations and services that appeal to passengers blending business and leisure travel.

Three commercial airlines offer scheduled passenger service from TRI to five hubs and leisure destinations. Allegiant offers service twice a week to Orlando Sanford (SFB) and seasonally to St. Pete-Clearwater (PIE), American Airlines provides daily service to Charlotte (CLT) and Dallas-Fort Worth (DFW), and Delta Air Lines offers daily service to Atlanta (ATL).

In fiscal year 2023, the Airport saw passenger traffic increase 14.2 percent over fiscal year 2022, which reflected a 63.9 percent increase over fiscal year 2021. Fiscal year 2023 passenger traffic was 0.5 percent less than pre-pandemic fiscal year 2019 levels. Seat capacity increased by 1.6 percent in fiscal year 2023 over fiscal year 2019 levels while the annual average load factor for fiscal year 2023 was 77.9 percent like fiscal year 2019.

In May 2020, as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the FAA awarded a grant to the Airport Authority in the amount of \$10,300,692. In March 2021, the FAA awarded TRI a grant, under the Airport Coronavirus Relief Grant Program (ACRGP), in the amount of \$2,003,318. In November of 2021 the FAA awarded TRI a grant, under the Airport Rescue Plan Act (ARPA Act), in the amount of \$3,016,683. The CARES, ACRGP and ARPA grants were awarded to enable airports to prevent, prepare for, and respond to the coronavirus pandemic and to provide funding to help offset a decline in revenues arising from diminished airport operations and activities due to the COVID-19 Public Health Emergency. Airports were authorized to use the grant funds to reimburse operational and maintenance expenses as well as to reimburse payments for debt service. As of June 30, 2023, the Authority has drawn 100.0 percent of the funding from these three grants.

The pandemic has been particularly challenging for non-hub airports as airlines have struggled with pilot shortages and other staffing issues. Airlines continue to reduce regional flights to trim expenses and manage the pilot and other staffing shortages. Since the beginning of the pandemic, 74 regional airports have lost service with American, Delta or United airlines. However, TRI, a non-hub airport, maintained service with the three airlines American, Delta and Allegiant and their routes that serve the Airport's market.

## **ECONOMIC CONDITIONS AND OUTLOOK (CONTINUED)**

### ***Airport (Continued)***

The “legacy” carriers (American, Delta, United) are working toward a fleet of larger and more economical aircraft. Discount carrier, Allegiant Airlines, has fared well as their business model caters to the leisure traveler and is easily scalable based on seasonality and world events and economy. It is possible that TRI will either see additional service from the “legacy” carriers and Allegiant or other competing discount carriers. The Airport will continue to work toward increasing air service options for TRI travelers.

### ***National and Local Economy***

The region offers a wide range of market benefits including a catchment area population of approximately 900,000, a large manufacturing sector, exceptional interstate highway network, twenty-seven regional industrial parks and a growing tourism industry. The Authority uses a variety of data sources to monitor national and regional economic conditions. These sources include the Bureau of Labor Statistics and the Tennessee Department of Revenue.

Retail performance continued to be positive in the two counties surrounding the Airport during the fiscal year ending June 30, 2023. Based on local sales tax collections as reported by the Tennessee Department of Revenue, Sullivan, and Washington counties, which include the cities of Bristol, Johnson City, and Kingsport, reflected an increase in collections of 8.4 percent and 9.1 percent, respectively, in the fiscal year ended June 30, 2023, compared to the fiscal year ended June 30, 2022. The two counties surrounding the airport also reported a 10.0 percent average increase in sales tax collections for the fiscal year ended June 30, 2023, compared to the fiscal year ended June 30, 2022. Statewide for Tennessee the increase in local sales tax collections for the fiscal year 2023 over fiscal year 2022 was 7.6 percent.

Per data from the Bureau of Labor Statistics, total nonfarm employment in the metro areas of Kingsport-Bristol, TN/VA and Johnson City, TN increased 1.1 percent and 1.5 percent, respectively between September 2023 and September 2022. Statewide, Tennessee total nonfarm employment increased 1.2 percent between September 2023 and September 2022. The United States employment level was 1.8 percent higher for September 2023 compared to September 2022.

Unemployment in the metro area of Kingsport-Bristol, TN/VA increased to 3.6 percent as of September 2023 compared to 3.3 percent as of September 2022. Unemployment in the Johnson City, TN metro area increased to 3.6 percent as of September 2023 compared to 3.3 percent as of September 2022. Statewide, Tennessee unemployment decreased to 3.3 percent as of September 2023 compared to 3.5 percent as of September 2022.

Generally, national, and local economic improvements support increased passenger air travel. The performance of the local economy, which, while positive prior to the impact of the Covid-19 pandemic in March of 2020, has lagged the national and statewide trends but appears to be strengthening per the most recent statistics. The local economic factors above and the completion of the 160-acre Aerospace Park for aeronautical development are positive for the future of TRI.



## **CAPITAL PLANNING**

Through the Airport's master planning process, the Authority lays out a Capital Improvement Program on a rolling five-year basis. Most of these projects are funded from federal and state grant funds generated from federal and state aviation user fees. A Capital Improvement Program is prepared annually for a five-year period outlining project descriptions and funding sources. Priorities are set in conjunction with the Airport's Master Plan. The priorities for fiscal year 2023 were as follows:

- 1) Safety and security for all users of the Airport.
- 2) Projects deemed to meet air carrier passenger needs and demands.
- 3) Projects deemed to meet demands of general aviation, corporate, and cargo users.
- 4) Implement projects that will generate new revenue sources; and,
- 5) Implement projects that will maximize all sources of funding availability.

## **FINANCIAL INFORMATION**

### ***Internal Controls***

The management of the Tri-Cities Airport Authority is responsible for establishing and maintaining an internal control structure designed to ensure that: *(i.)* the assets of Tri-Cities Airport Authority are protected from loss, theft, or misuse; *(ii.)* to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles; and *(iii.)* that federal financial assistance programs are managed in compliance with applicable laws and regulations.

The Airport Authority applied the concept of reasonable assurance in establishing internal controls. These assurances recognize that: *(i.)* the cost of a control should not exceed the benefits likely to be received and *(ii.)* the valuation of costs and benefits requires estimates and judgments by management.

As part of the Tri-Cities Airport Authority's single audit, auditors conducted tests of the Airport Authority's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs.

### ***Operating Budget***

An annual operating budget is prepared and approved by the Tri-Cities Airport Authority. All appropriations for operating expenditures lapse at the end of the fiscal year and must be re-appropriated for the following year. The Board approves a Capital Projects Budget annually with the appropriated funds remaining intact until completion of the project. The Tri-Cities Airport Authority continues to meet its responsibility for sound financial management. The Airport Authority is self-supporting through user fees of the Airport.

## **CASH MANAGEMENT POLICIES**

The Investment Policy of the Airport Authority sets the criteria for surplus funds. The Airport Authority consolidates cash balances from all funds to maximize investment earnings. The primary objectives of investment activities are safety, liquidity, and yield.

## **CASH MANAGEMENT POLICIES (CONTINUED)**

The Tri-Cities Airport Authority is authorized to make direct investments in bonds, notes or treasury bills of the U. S. Government and obligations guaranteed by the U. S. Government or any of its agencies. These investments may not have maturity greater than two years, except as set out in Tennessee state law. Investments may also be made in the Tennessee State Pooled Investment Fund and in repurchase agreements with state approval.

## **RISK MANAGEMENT**

The Tri-Cities Airport Authority is fully insured and carries insurance coverage with commercial insurance carriers in amounts sufficient to meet the Airport Authority's reasonable exposure. All tenants and lessees are required to carry specified amounts of insurance coverage, naming the Airport Authority as an additional insured. The airport requires all contractors engaged in construction projects to meet minimum requirements as specified in the bid documents.

## **OTHER INFORMATION**

### ***Independent Audit***

As required by federal and state statutes, the Tri-Cities Airport Authority requires an annual independent audit by a Certified Public Accountant. The Administration/Operations Committee administers the CPA selection with final approval by the full Authority. The airport selected the firm of Blackburn, Childers & Steagall, PLC to perform the independent audit for the year ending June 30, 2023. The airport also uses the audit to meet the requirements and all revisions of the federal Single Audit Act of 1996, and the related Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The auditors use generally accepted auditing standards in conducting their audit.

The financial section of this report includes the auditor's report on the financial statements. The Internal Control and Compliance Section of this report contains the independent auditor's report on internal controls and compliance with applicable laws and regulations.

### ***Awards***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tri-Cities Airport Authority for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the 24th consecutive year that the airport has achieved this prestigious award. A government must publish an easily readable and efficiently organized comprehensive annual financial report to receive a Certificate of Achievement award. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Authority believes that its current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

***Acknowledgements***

We would like to take this opportunity to thank the Airport Authority for their leadership and support in planning and conducting the financial operations of the Airport. We would also like to recognize the efforts of the senior staff, David Jones, Kristi Haulsee, Kathy Yakley, and Mark Canty for their contributions to this financial report. A special thanks to the finance department staff, Alicia Rhoton and Meagan Harr, for your hard work and dedication.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'D E Cossey', with a long horizontal flourish extending to the right.

David E. Cossey  
Executive Director

A handwritten signature in blue ink, appearing to read 'Rene L Weber', with a long horizontal flourish extending to the right.

Rene L. Weber  
Director of Finance

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Tri-Cities Airport Authority  
Tennessee**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

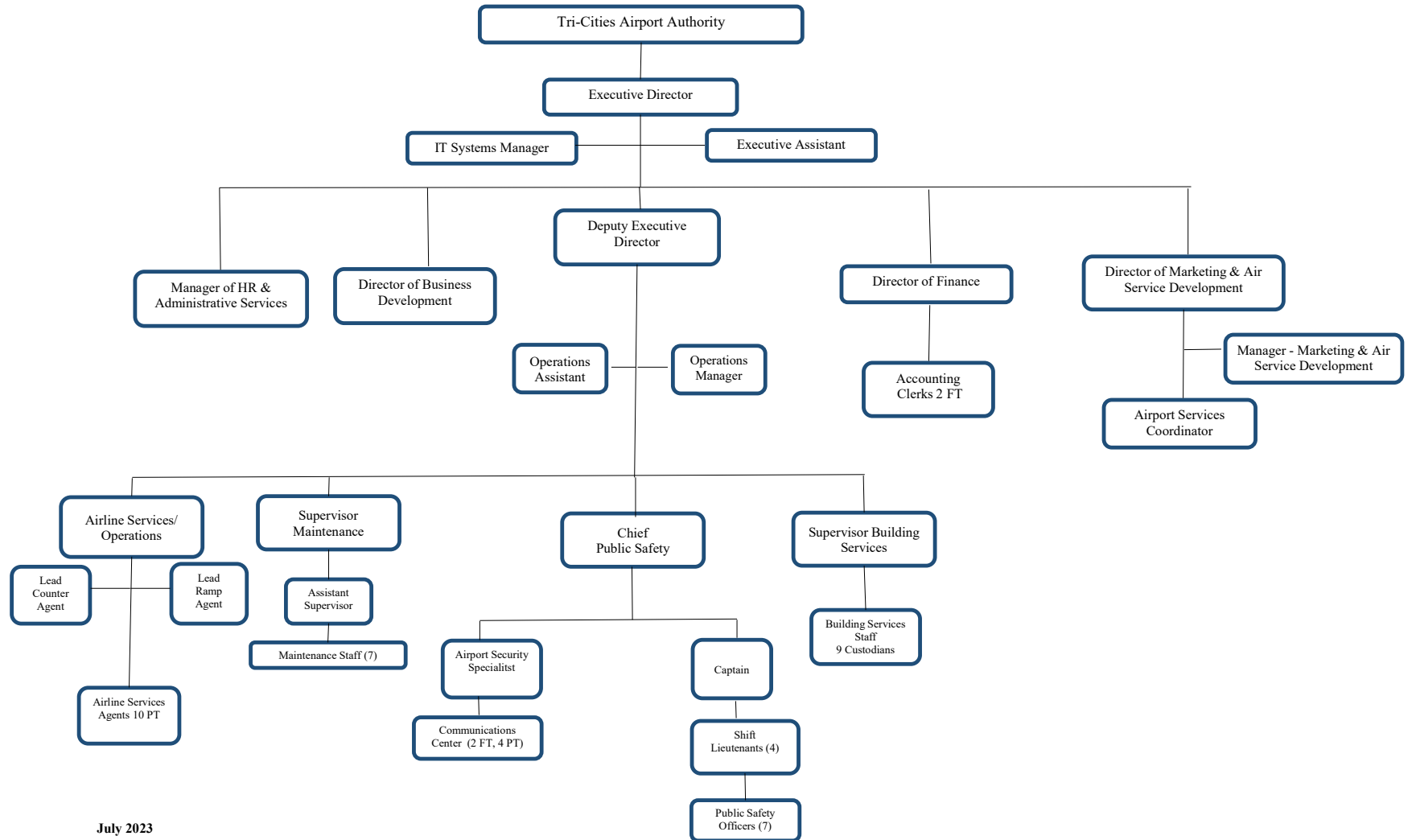
June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

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# TRI-CITIES AIRPORT AUTHORITY ORGANIZATION CHART



July 2023

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## Financial

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Supplemental Schedules



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Tri-Cities Airport Authority  
Blountville, Tennessee

Basic Financial Statements

And

Supplemental Information

For the Fiscal Year Ended June 30, 2023



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Commissioners  
of the Tri-Cities Airport Authority

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the business-type activities of the Tri-Cities Airport Authority, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Tri-Cities Airport Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Tri-Cities Airport Authority as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tri-Cities Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tri-Cities Airport Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tri-Cities Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tri-Cities Airport Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Changes in Tri-Cities Airport Authority's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plans of TCRS, the Schedules of Tri-Cities Airport Authority's Contributions Based on Participation in the Public Employee Pension Plans of TCRS, and Schedule of Changes in Post-Employment Healthcare Benefits Liability on pages 27-37 and pages 85-89, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tri-Cities Airport Authority's basic financial statements. The supplemental schedules are listed in the table of contents including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Passenger Facility Charges Collected, Interest Earned and Related Expenditures, as included in the supplemental schedules, is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules, including the Schedule of Expenditures of Federal Awards and the Schedule of Passenger Facility Charges, Investment Income and Related Expenditures, are fairly stated in all material respects in relation to the basic financial statements as a whole.


***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023, on our consideration of the Tri-Cities Airport Authority'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 solely 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 the effectiveness of the Tri-Cities Airport Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tri-Cities Airport Authority's internal control over financial reporting and compliance.

  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 29, 2023



## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following Management's Discussion and Analysis (MD&A) of the Tri-Cities Airport activities and financial performance provides an overview of the Tri-Cities Airport Authority's basic financial statements for the fiscal year ended June 30, 2023. The Tri-Cities Airport Authority is the governing entity operating the Tri-Cities Airport as of June 30, 2023. This MD&A should be read in conjunction with the "Letter of Transmittal" included in the Introductory Section and the Authority's financial statements following this section.

### Overview of the Financial Statements

This annual report consists of four parts: *(i.)* Introductory; *(ii.)* Financial; *(iii.)* Statistical Schedules; and *(iv.)* Internal Control and Compliance.

The Tri-Cities Airport Authority is a special-purpose government with only business-type activities. The Basic Financial Statements include proprietary fund financial statements, which offer short-term and long-term financial information about the activities of the Tri-Cities Airport Authority.

The financial statements also include notes that explains information in the financial statements and provide more detailed data. The statements are followed by required supplementary information and other schedules that further explain and support the information in the basic financial statements.

Required financial statements include the: *(i.)* Statement of Net Position; *(ii.)* Statement of Revenues, Expenses and Changes in Net Position; and *(iii.)* Statement of Cash Flows. The financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. All assets and liabilities, both financial and capital, and short-term and long-term are recorded. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of timing of related cash flows. The accompanying notes to the financial statements enhance the reader's understanding of the Airport Authority's accounting policies.

### Airport Activity Highlights

Airport Passenger Activity during fiscal year 2023 increased by 14.2 percent compared to fiscal year 2022 which reflected a 63.8 percent increase. Recovery from the negative effects of the Covid-19 pandemic appear complete as fiscal year 2023 Airport Passenger Activity is .5 percent short of the fiscal year 2019 level. Aircraft Operations decreased by 12.5 percent in fiscal year 2023 compared to fiscal year 2022 due to a decrease in Military and General Aviation activity while Aircraft Landed Weights increased by 15.1 percent and Airline Seating Capacity increased by 14.5 percent as airlines responded to increased passenger demand with more flights and larger aircraft. Air Cargo activity increased by 218.6 percent due to more activity by both air cargo vendors and by passenger carriers compared to extremely limited activity in fiscal year 2022. Note that the Covid-19 pandemic impact started in mid-March 2020 of fiscal year 2020; prior to that, Airport Passenger Activity at TRI reflected an increase of 13.1 percent over fiscal year 2019 activity.

## Airport Activity Highlights (Continued)

The following table shows the increases and decreases from the previous fiscal year.

<b>Activity</b>	<b>FY 2023</b>	<b>FY 2022</b>	<b>% of Change</b>
Passengers	421,900	369,539	14.2%
Aircraft Operations	45,523	52,013	-12.5%
Aircraft Landed Weights (lbs.)	261,534	227,278	15.1%
Seating Capacity	539,296	471,134	14.5%
Air Freight	38,309	1,676	218.6%

### ***The following airlines are serving Tri-Cities Airport, TN/VA:***

**Delta Airlines** provides an average of four flights per day to Atlanta aboard 50-76 seat Canadair regional jets as well as B-717's with up to 110 seat capacity.

**American Airlines** has an average of four flights per day to Charlotte and two flights per day to Dallas-Fort Worth aboard 50-76 seat Embraer and Canadair regional jets.

**Allegiant Airlines** provides low fare service to Orlando and St. Petersburg/Clearwater aboard 150 plus seat A-319/320 jets.

## **Financial Position**

The overall financial position of the Airport Authority increased in fiscal year 2023 with a 10.6 percent increase in total net position. This increase was primarily due to the completion of several large construction projects which resulted in an increase in Net Capital Assets as well as an increase in non-operating revenues in the fiscal year ending June 30, 2023, resulting from a complete drawdown of the CARES Act, CRRSA Act and ARP Act grants awarded in fiscal years 2020 and 2021.

Operating income, before depreciation and amortization, increased by 192.5 percent over fiscal year 2022 due to a 15.3 percent increase in operating revenues offset by a 5.1 percent increase in operating expenses. The operating revenue categories reflecting the largest increases in fiscal year 2023 compared to 2022 were Parking revenue and Airline revenue.

Capital contributions received from federal and state grants were \$1,733,506 less than in the last fiscal year. Contributions from the Coronavirus Aid, Relief and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and American Rescue Plan Act (ARPA) grants; which are considered operating in nature; were \$4,738,660 in fiscal year 2023; \$1,531,008 less than in fiscal year 2022.

## Summary of Changes in Net Position

	Fiscal Year Ended June 30,	
	2023	2022
Operating Revenues	\$ 8,692,820	\$ 7,540,502
Operating Expenses	7,490,408	7,129,439
Operating Income Before		
Depreciation	1,202,412	411,063
Less: Depreciation	6,180,260	6,265,958
Operating Loss	(4,977,848)	(5,854,895)
Non-Operating Revenues (Expenses)	5,817,573	7,128,570
Income (Loss) before Capital Contributions	839,725	1,273,675
Capital Contributions	6,651,884	6,690,017
<b>Change in Net Position</b>	<b>\$ 7,491,609</b>	<b>\$ 7,963,692</b>
<b>Net Position Beginning of Fiscal Year</b>	<b>101,518,882</b>	<b>93,555,190</b>
<b>Net Position End of Fiscal Year</b>	<b>\$ 109,010,491</b>	<b>\$ 101,518,882</b>

## Operating and Non-Operating Revenue Highlights

Operating revenues are generated from the tenants and/or “users” of the Airport through airfield charges, terminal rents, concession revenue, parking fees, and other sources.

Non-operating revenue is made up of unrestricted and restricted funds. Unrestricted revenue comes from interest income, investment gains, the CARES Act, CRRSA Act and ARP Act grants and other sources not resulting from operations. The restricted revenue is generated for a defined purpose and cannot be used to fund operating expenses. The current restricted revenues are Passenger Facility Charges and Customer Facility Charges.

The Airport Authority develops an operating budget and capital improvement budget each year. Operating revenues are generated to first fund operating expenses. Any net operating revenues are then transferred to the reserve accounts to fund the Airport’s portion of capital projects. Any net revenues after capital projects are placed in the operating reserve.

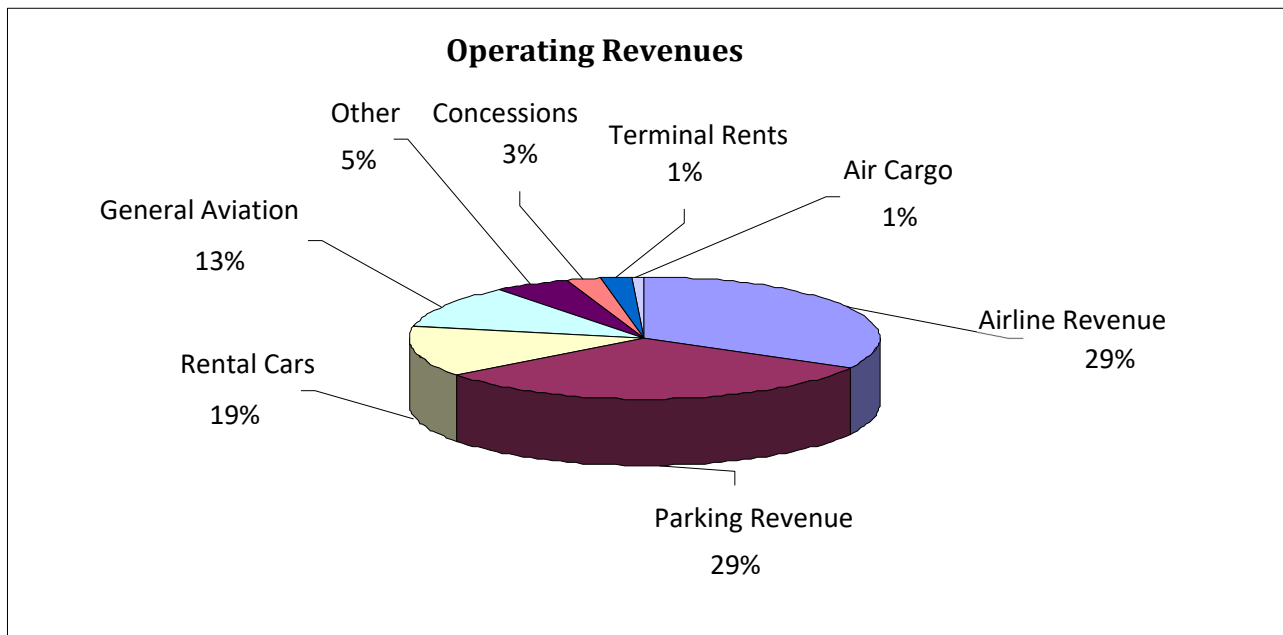
## Operating and Non-Operating Revenue Highlights (Continued)

The following schedule presents a summary of revenues for the fiscal years ended June 30, 2023, and 2022:

	Fiscal Year Ended June 30,		Change from	Percent
	2023	2022	2022	Change from
				2022
<b>Operating Revenues</b>				
Airline Revenue	\$ 2,520,231	\$ 2,315,223	\$ 205,008	8.9%
General Aviation	1,110,272	915,284	194,988	21.3%
Air Cargo	122,049	115,391	6,658	5.8%
Parking	2,522,006	2,019,387	502,619	24.9%
Rental Cars	1,690,209	1,486,319	203,890	13.7%
Concessions	226,207	159,359	66,848	41.9%
Terminal Rents	111,600	116,984	(5,384)	-4.6%
Other	390,246	412,555	(22,309)	-5.4%
<b>Total Operating Revenues</b>	<b>8,692,820</b>	<b>7,540,502</b>	<b>1,152,318</b>	<b>15.3%</b>
<b>Non-Operating Revenues</b>				
Interest Income	92,730	6,415	86,315	1345.5%
Gain on Sale of Assets	1,036	1,691	(655)	-38.7%
CARES, CRRSA and ARP grants	4,738,660	6,269,668	(1,531,008)	-24.4%
Passenger Facility Charges	840,163	817,959	22,204	2.7%
Customer Facility Charges	341,259	315,207	26,052	8.3%
<b>Total Non-Operating Revenues</b>	<b>6,013,848</b>	<b>7,410,940</b>	<b>(1,397,092)</b>	<b>-18.9%</b>
<b>TOTAL REVENUES</b>	<b>\$ 14,706,668</b>	<b>\$ 14,951,442</b>	<b>\$ (244,774)</b>	<b>-1.6%</b>
<b>Capital Contributions</b>				
Federal Grant Revenue	\$ 4,102,561	\$ 2,607,865	\$ 1,494,696	57.3%
State Grant Revenue	2,053,013	1,814,203	238,810	13.2%
Other Capital Contributions	496,310	2,267,949	(1,771,639)	-78.1%
<b>Total Capital Contributions</b>	<b>\$ 6,651,884</b>	<b>\$ 6,690,017</b>	<b>\$ (38,133)</b>	<b>-0.6%</b>

## Operating and Non-Operating Revenue Highlights (Continued)

The following chart shows the sources of operating revenue and percentage of operating revenues for the fiscal year ended June 30, 2023:



Operating Revenues increased by \$1,152,318 or 15.3 percent from \$7,540,502 in fiscal year 2022 to \$8,692,820 in fiscal year 2023.

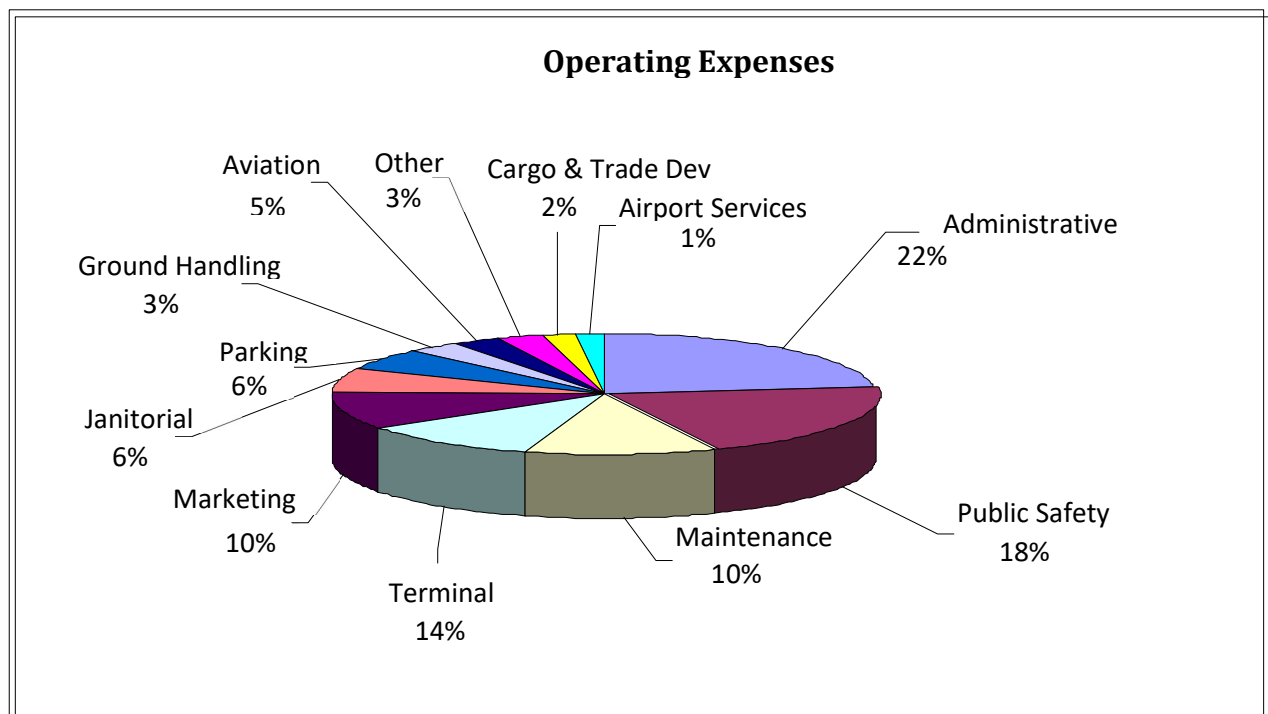
- ✈️ Parking revenue increased by 24.9 percent or \$502,619 more than fiscal year 2022.
- ✈️ General Aviation revenues increased by 21.3 percent or \$194,988 more than fiscal year 2022.
- ✈️ Rental Cars revenue increased by 13.7 percent or \$203,890 more than fiscal year 2022.
- ✈️ Airline Revenue increased by 8.9 percent or \$205,008 more than fiscal year 2022.

## Operating Expenses

The following schedule presents a summary of expenses for the fiscal years ended June 30, 2023, and 2022:





Operating Expenses	Fiscal Year Ended June 30,		Change from 2022	Percent Change from 2022
	2023 Amount	2022 Amount		
Administrative	\$ 1,664,003	\$ 1,439,590	224,413	15.6%
Public Safety	1,316,817	1,409,805	(92,988)	-6.6%
Maintenance	771,342	781,374	(10,032)	-1.3%
Terminal	1,062,050	967,377	94,673	9.8%
Marketing	722,719	731,870	(9,151)	-1.3%
Janitorial	503,714	470,118	33,596	7.1%
Parking	429,032	388,606	40,426	10.4%
Ground Handling	205,787	153,071	52,716	34.4%
Cargo and Trade Dev.	170,295	138,904	31,391	22.6%
Other	231,395	292,853	(61,458)	-21.0%
Aviation	351,171	308,550	42,621	13.8%
Airport Services	62,083	47,321	14,762	31.2%
<b>Total Operating Expenses</b>	<b>\$ 7,490,408</b>	<b>\$ 7,129,439</b>	<b>360,969</b>	<b>5.1%</b>

The following pie chart shows the Airport Authority's expenses by category and the percentage of operating expenses for the fiscal year ended June 30, 2023:



## Operating Expenses Highlights

Operating Expenses increased 5.1 percent or \$360,969 as compared to the previous year. Variation analysis of the Operating Expenses reveals:

-  Administrative expenses increased by \$224,413 or 15.6 percent compared to fiscal year 2022 because of adding staff to the department, procurement of new and increased utilization of engineering consultants as well as an increased costs for professional services.
-  Terminal Area expenses increased by \$94,673 or 9.8 percent compared to fiscal year 2022 because of increased passenger traffic resulting in increase of costs for utilities, maintenance and repair costs for the terminal building, entrances, elevators, escalators, curbs, and roads.
-  Parking Area expenses increased by \$40,426 or 10.4 percent compared to fiscal year 2022 because of increased revenue causing increases in transaction processing fees and materials and supplies required, as well as some increase in personnel costs due to schedule adjustments with the growth in passenger traffic.
-  Ground Handling expenses increased by \$52,716 or 34.4 percent compared to fiscal year 2022 due to increased flights requiring service.

## Financial Position Summary

The Statement of Net Position presents the financial position of the Airport at the end of the fiscal year. The statement includes all assets, deferred outflows, liabilities, and deferred inflows of the Airport. Net position is the difference between the total assets and deferred outflows of resources, and the total liabilities and deferred inflows of resources.

A condensed summary of the Airport Authority's total net position for the fiscal years ended June 30:

	<b>Fiscal Year Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Current Assets	\$ 21,535,516	\$ 16,988,198
Capital Assets (net)	94,334,319	91,770,630
Noncurrent Assets	1,795,195	3,982,287
<b>Total Assets</b>	<b>117,665,030</b>	<b>112,741,115</b>
<b>Deferred Outflows of Resources</b>	<b>602,973</b>	<b>773,859</b>
Current Liabilities	2,017,525	1,878,726
Noncurrent Liabilities	5,440,396	5,565,460
<b>Total Liabilities</b>	<b>7,457,921</b>	<b>7,444,186</b>
<b>Deferred Inflows of Resources</b>	<b>1,799,591</b>	<b>4,551,906</b>
Net Investment in Capital Assets	90,102,517	87,583,111
Restricted	1,359,646	978,557
Unrestricted	17,548,328	12,957,214
<b>Total Net Position</b>	<b>\$ 109,010,491</b>	<b>\$ 101,518,882</b>

## **Airline Rates and Charges**

The Airport Authority establishes airline rates and charges based on an annual review of projected airline activity and associated operating expenses. The Authority's rate setting philosophy incorporates a terminal rental rate calculated in a compensatory manner, in which the tenants pay only for their share of the facility occupied and used. The landing fee is based on an airfield residual cost center approach wherein the passenger and cargo carriers pay the net costs of the airfield, after receiving credit for airfield-related general aviation revenues. The Airport Authority evaluates Rates and Charges on an annual basis.

Due to the effects on the air travel industry from the Covid-19 pandemic the Authority, for fiscal year 2021, adopted a 5.0 percent reduction to all rates and charges to be in effect for the fiscal year beginning July 1, 2020 and ending June 30, 2021. With limited recovery from the pandemic noted during fiscal year 2021, the Authority adopted that the rates and charges, as reduced in fiscal year 2021, remain in effect for the fiscal year 2022 fiscal year. For fiscal year 2023, the 5.0 percent across the board reduction employed in fiscal year 2021 was reinstated to the rates and charges.

### Signatory Airline Rates and Charges (fiscal year 2023)

Terminal Square Foot Rate per year	\$36.60
Landing Fee (per 1,000 lbs. MGLW)	\$ 2.60
Apron Fee, per Turn	\$10.80
Passenger Loading Bridge Per Use	\$18.00
Public Safety Reimbursement	50% of Public Safety Budget

## **Capital Acquisitions and Construction Activities**

During fiscal year 2023, several capital improvement projects were started and completed. Listed below are some of the major projects.

### ***Completed Projects***

In fiscal year 2023 the Tri-Cities Airport Authority achieved substantial completion of three large projects which were started in prior fiscal years:

The airport completed the Terminal Roof Rehabilitation project which was awarded in fiscal year 2021. The project consisted of demolition/removing the existing building roofing materials and waterproofing systems and replacing the old roofing system with new roofing materials. The project cost was approximately \$1,760,000.

The Passenger Concourse Roof Rehabilitation project was awarded in fiscal year 2021 and completed in fiscal year 2023. The project consisted of demolition/removing the existing roof system materials, skylights and lightning protection and replacing the old roofing systems with new roofing materials. The project cost was approximately \$820,000.

The passenger escalator in the concourse area was awarded in fiscal year 2021 and completed in fiscal year 2023. The project consisted of removing and replacing the passenger escalator and the adjoining trim. The project cost was approximately \$881,000.



## ***Current Projects***

Projects began in fiscal year 2023 or earlier on which work continues include:

The airport awarded the Taxiway A Pavement Rehabilitation project in fiscal year 2022. The project consists of asphalt pavement milling, replacement, pavement markings and subgrade rehabilitation. The project's estimated cost is approximately \$4,220,000.

The airport acquired four runway obstruction avigation easements from property owners for approximately \$750,000.

The airport began the Terminal and Apron Energy Improvement project, which consists of replacing the terminal boilers and chillers with new energy efficient equipment and the removal and replacement of apron and terminal lighting with new LED light fixtures. The project will cost approximately \$1,900,000.

The airport began the Runway 9/27 Pavement Rehabilitation and Taxiway B1 Removal project which includes asphalt pavement crack and joint sealing, pavement markings, and the removal of Taxiway B1. The project cost is approximately \$950,000.

## **Debt Administration**

The Tri-Cities Airport Commission operated as a joint venture between four cities and two counties from 1935 until 2012. In September of 2012, the Commission was converted to an Authority, the Tri-Cities Airport Authority. As a Commission the Tri-Cities Airport did not have the authority to borrow funds or issue bonds; but as an Authority it does.

In July of 1995, one of the owners of the Airport, Sullivan County, Tennessee, issued \$7,000,000 in airport revenue and tax bonds, series 1995. These funds were to be used to fund several capital projects. These bonds were to be paid first from passenger facility charges (currently, \$4.50 fee per enplaned passenger), second from all other revenues and reserves of the Airport, and third from the Owners of the Airport. The funds were used for terminal improvements, the safety area expansion, and site preparation for the Southside development.

In August 2003, Sullivan County, Tennessee, on behalf of the Airport Commission, entered a \$5,000,000 Airport Revenue and Tax Bonds (Taxable) Series 2003. The average coupon rate was 5.54 percent with annual debt service of approximately \$432,000. The bonds original maturity was twenty years. The outstanding debt as of June 30, 2013, was \$4,350,000.

On January 28, 2014, Sullivan County, Tennessee issued \$2,975,000 Airport Revenue and Tax Refunding (Taxable) Bonds, Series 2014 for the purpose of providing funds to refinance, in advance of maturity, the Commission's outstanding Airport Revenue and Tax Bonds, Series 2003. The Series 2014 Bonds are payable primarily from and secured by a pledge and assignment of CFC and operating revenues from the Authority. Sullivan County retired the final portion of these bonds in fiscal year 2022 with funds placed in escrow by the Authority.

## **Debt Administration (Continued)**

In March of 2018, the Tri-Cities Airport Authority issued \$8,500,000 Aerospace Park Bonds (Taxable), Series 2018 for the purpose of providing funds to pay for the costs of construction, site development, infrastructure, utilities, and paving of Aerospace Park, a 160-acre site that offers direct airfield access on airport property. The Series 2018 bonds are payable solely from and secured solely by a pledge of the Aerospace Park Net Revenues, subject to the prior pledge of the net revenues of the Airport (which includes the Aerospace Park Net Revenues) relative to the Sullivan County Series 2014 Bonds, and from amounts payable by the Tennessee Authority Members under Guaranty Agreements which provide for coverage of debt service until such time as the development has a sufficient net revenue stream to provide coverage of debt service. The outstanding debt as of June 30, 2023, is \$5,385,000. Note 9 - Long-Term Debt, in the notes to the financial statements, describes the bonds in more detail and reflects a summary of the repayment structure and Note 10 - Bond Defeasance, provides information on a partial defeasance of the Series 2018 Bonds.

## **Passenger Facility Charge (PFC)**

The Tri-Cities Airport Authority received approval from the FAA to implement a Passenger Facility Charge (PFC) for \$3.00 per enplaned passenger beginning February 1997 for a total of \$8,476,249. The PFC is used to improve airport facilities. In August 1999, the PFC was amended to reduce the first portion to \$5,273,874 in collections and to add two additional projects requiring collections of \$5,304,365. In August 2007, the PFC was increased to \$4.50, with two additional projects totaling \$685,309; in May 2012, six additional projects were added totaling \$305,574; in March 2013, an additional six projects were added totaling \$847,713; in December 2014, eight additional were added totaling \$1,866,027; in February 2016, the PFC program was amended to add increased project costs of \$250,420; in December 2016, four additional projects were added totaling \$1,841,592; and in November 2018, the PFC program was amended to add increased project costs of \$332,233. In November of 2019, twelve additional projects were added totaling \$2,247,416. In July 2020, the PFC was amended to reflect actual costs less than expected in the amount of \$4,491 and in August of 2020 was further amended to reflect actual costs less than expected in the amount of \$110,512. In May 2023, four additional projects were added totaling \$1,497,332. As of June 30, 2023, the total combined PFC collection authority for the airport is \$20,336,852.

## **Customer Facility Charges (CFC)**

A Customer Facility Charge (CFC) is a fee charged on each rental car contract that must be used to pay rental car bond debt service and to maintain rental car facilities. A \$6 per contract fee was enacted on November 1, 2002. Due to a decrease in rental contract activity, this rate was increased to \$7 per contract in January 2005 and then to \$9 per contract in August 2010. As of June 30, 2023, the airport's rental car concessionaires had collected \$7,243,993 in Customer Facility Charges.

## **Economic Factors**

According to the latest report by the Bureau of Labor Statistics, total nonfarm employment in the metro areas of Kingsport-Bristol, TN/VA and Johnson City, TN increased 1.1 percent and 1.5 percent, respectively, between September 2023 and September 2022. Statewide, Tennessee total nonfarm employment increased 1.2 percent between September 2023 and September 2022.

### **Economic Factors (Continued)**

Unemployment in the metro area of Kingsport-Bristol, TN/VA increased to 3.6 percent as of September 2023 compared to 3.3 percent as of September 2022. Unemployment in the Johnson City, TN metro area increased to 3.6 percent as of September 2023, compared to 3.3 percent as of September 2022. Statewide, Tennessee unemployment decreased to 3.3 percent as of September 2023 compared to 3.5 percent as of September 2022.

### **Acknowledgments**

This financial report is designed to provide a general overview of the Tri-Cities Airport Authority's finances for all interested parties. Questions concerning this report or requests for additional information should be directed to Director of Finance, Tri-Cities Airport Authority, 2525 Highway 75, Suite 301, Blountville, TN 37617, telephone (423) 325-6007.

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## Basic Financial Statements



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**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

ASSETS	
CURRENT ASSETS	
Cash on Hand	\$ 2,841
Cash in Bank	8,747,505
Cash Equivalent	5,038,464
Restricted Assets	
Cash in Bank - Passenger Facility Charges	866,909
Cash in Bank - Customer Facility Charges	417,817
Cash in Bank - Aerospace Park	2,182,098
PFC Receivable	74,920
Accounts Receivable - Operations (Net of Allowance, \$30,000)	344,125
Grants Receivable	3,708,771
Prepaid Expenses	152,066
	<hr/>
Total Current Assets	21,535,516
	<hr/>
NONCURRENT ASSETS	
Capital Assets	
Land	29,069,053
Construction in Progress	8,009,773
Runways and Roads	111,316,690
Parking Lot	5,722,649
Terminal Building	26,542,882
Other Buildings	19,315,314
Equipment and Vehicles	13,491,860
Master Plans	1,497,250
Less: Accumulated Depreciation	(120,631,152)
	<hr/>
Net Capital Assets	94,334,319
Restricted Assets	
Cash on Deposit with Other Governmental Entities - Debt Service Reserve	35,979
Leases Receivable	1,721,428
Utility Deposits	4,294
Net Pension Asset - Plan 2	5,919
Equipment Deposits	27,575
	<hr/>
Total Noncurrent Assets	96,129,514
	<hr/>
TOTAL ASSETS	117,665,030
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions After Measurement Date - Plans 1 and 2	322,860
Pension Changes in Experience - Plan 2	42,616
Net Pension Changes in Investment Earnings - Plans 1 and 2	15,832
Pension Changes in Assumptions - Plans 1 and 2	221,665
	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	602,973
	<hr/>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable - Operations	466,242
Accounts Payable - Construction	972,031
Accrued Expenses	36,329
Accrued Interest	33,351
Accrued Wages	61,723
Accrued Compensated Absences	172,849
Bonds Payable	275,000
Total Current Liabilities	2,017,525
<b>NONCURRENT LIABILITIES</b>	
Bonds Payable	5,166,869
Deposits from Lessees	6,600
Accrued Compensated Absences	9,476
Post-Employment Healthcare Benefits Liability	93,585
Net Pension Liability - Plan 1	163,866
Total Noncurrent Liabilities	5,440,396
<b>TOTAL LIABILITIES</b>	<b>7,457,921</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Changes in Experience - Plans 1 and 2	137,636
Deferred Inflows - Lease Related	1,661,955
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,799,591</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	90,102,517
Restricted - Passenger Facility Charges	941,829
Restricted - Customer Facility Charges	417,817
Unrestricted	17,548,328
<b>TOTAL NET POSITION</b>	<b>\$ 109,010,491</b>

The accompanying notes are an integral part of these basic financial statements.



**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2023**

<b>OPERATING REVENUES</b>	
Airline Revenue	
Landing Fees	\$ 667,540
Rents	1,852,691
Total Airline Revenue	<u>2,520,231</u>
Non-Airline Revenues	
General Aviation	1,110,272
Air Cargo	122,049
Parking Revenue	2,522,006
Rental Car Revenue	1,690,209
Terminal Concessions	226,207
Terminal Space Rents	111,600
Other Revenues	390,246
Total Non-Airline Revenues	<u>6,172,589</u>
Total Operating Revenues	<u>8,692,820</u>
<b>OPERATING EXPENSES</b>	
Aviation Area	
Utilities	15,753
Maintenance - Buildings	82,463
Power Vault - Diesel Fuel and Maintenance	11,863
Runway, Taxiway and Field Maintenance	141,693
Lighting and Electrical Maintenance	7,105
Field and Gate Maintenance	4,989
Fuel Farm Maintenance	25,356
Snow and Ice Control	17,682
Ramps and Aprons	23,448
Equipment Rental	2,794
Contract Mowing	3,484
Environmental Compliance	8,799
Wildlife Control	5,742
Total Aviation Area	<u>351,171</u>
Terminal Area	
Electricity	330,917
Heating Fuel	27,819
Water and Sewer	44,683
Landscape Water	1,793
Telephone	12,377
Electrical Maintenance	4,418
HVAC Maintenance	109,786
Building Repairs and Parts	109,651
Plumbing	49,941
Landscape Service	101,086
Equipment and Furnishings	4,396

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2023**

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OPERATING EXPENSES (CONTINUED)

Terminal Area (Continued)	
Roadway, Parking Lots and Field Maintenance Expense	126,068
Contract Mowing	51,187
Elevator Contract	39,246
Trash Removal Contract	31,834
Other Contractual Services	16,848
Total Terminal Area	1,062,050
Air Cargo Center	
Utilities	13,147
Heating Fuel	527
Repairs and Maintenance	11,692
Total Air Cargo Center	25,366
Other Properties	
Office Annex	
Utilities	21,513
Other Property - Land and Buildings	1,457
Total Other Properties	22,970
General Area - Public Safety	
Salaries	784,143
FICA Contributions and Unemployment	61,795
Retirement	29,329
Insurance	182,225
General Personnel Expense	54,272
Fire Hall Expense	11,926
Security - Parking and Identification	10,496
Medical Supplies	379
Vehicle Fuel	32,766
Supplies	3,924
Equipment Maintenance	35,135
Training	26,885
Uniforms	15,410
Dues and Subscriptions	8,132
Office Supplies	4,705
Telephone	6,161
Access Control	46,879
Medical and Psychological Testing	2,255
Total General Area - Public Safety	1,316,817

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2023**

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OPERATING EXPENSES (CONTINUED)

General Area - Maintenance	
Salaries	438,739
FICA Contributions and Unemployment	33,626
Retirement	23,955
Insurance	136,249
General Personnel Expense	12,436
Utilities	12,990
Heating Fuel	3,226
Repairs and Maintenance	59,338
Gas and Oil	18,269
Small Tools	14,797
Uniforms - Maintenance	4,731
Supplies	11,441
Training	1,545
Total General Area - Maintenance	<u>771,342</u>
General Area - Janitorial	
Salaries	302,346
FICA Contributions and Unemployment	22,409
Retirement	5,125
Insurance	79,608
General Personnel Expense	5,284
Supplies	80,609
Repairs and Maintenance	1,596
Uniforms	4,109
Snow Removal and Other	2,628
Total General Area - Janitorial	<u>503,714</u>
General Area - Airport Services	
Salaries	42,289
FICA Contributions and Unemployment	2,983
Retirement	69
Insurance	15,134
General Personnel Expense	400
Supplies	133
Training	1,075
Total General Area - Airport Services	<u>62,083</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2023**

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OPERATING EXPENSES (CONTINUED)

Marketing	
Salaries	164,457
FICA Contributions and Unemployment	12,629
Retirement	2,227
Insurance	8,396
General Personnel Expense	1,545
Advertising	1,925
Research and Development	15,500
Consulting Services	106,911
Marketing Initiative	310,915
Program Materials	23,174
Airline Relations	3,253
Community Relations	29,954
Travel	33,637
Professional Affiliations	345
Office Supplies	7,851
Total Marketing	722,719
Administrative	
Salaries	831,470
Engineering Services	68,259
FICA Contributions and Unemployment	58,816
Retirement	47,899
Medical Insurance	105,484
General Personnel Expense	11,653
Accounting	60,390
Legal	43,353
Insurance	252,742
Dues and Subscriptions	26,848
Consulting Services	34,888
Office Supplies	22,070
Telephone	22,225
Maintenance	6,360
Seminars and Conferences	29,882
General Administrative Expense	40,299
Postage and Handling	1,365
Total Administrative	1,664,003

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2023**

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OPERATING EXPENSES (CONTINUED)

Air Cargo and Trade Development

Foreign Trade Zone

Marketing Initiatives	2,225
Contract Services	1,044
Professional Affiliations	3,111
Total Foreign Trade Zone	6,380

Administrative

Travel / Auto	10,288
Supplies, Furniture and Fixtures	2,312
Total Administrative	12,600

Personnel

Salaries	107,476
FICA Contributions and Unemployment	7,978
Medical Insurance	21,867
General Personnel Expense	955
Retirement	13,039
Total Personnel	151,315

Total Air Cargo and Trade Development	170,295
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Parking

Salaries	245,046
FICA Contributions and Unemployment	17,909
General Personnel Expense	37,898
Recruiting	517
Supplies	1,279
Ticket and Printing Expense	3,466
Office Supplies	1,928
Repairs and Maintenance	6,477
Licenses and Fees	22
Liability Insurance	480
Utilities	6,134
Postage and Freight	70
Telephone	4,170
Financial Services	1,979
Credit Card Discount	66,705
Miscellaneous	6,512
Management Fee	28,440
Total Parking	429,032

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2023**

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OPERATING EXPENSES (CONTINUED)	
RAC Service Facility	
Utilities	<u>94,547</u>
Ground Handling Services	
Salaries	152,470
FICA Contributions and Unemployment	10,527
Retirement	12,279
General Personnel Expense	11,396
Supplies	2,738
Equipment and Maintenance	10,119
Miscellaneous	6,258
Total Ground Handling Services	<u>205,787</u>
Aerospace Park	
Industry Travel	5,378
Marketing	25,750
Contracted Services	48,758
Website	8,626
Total Aerospace Park	<u>88,512</u>
Total Operating Expenses	<u>7,490,408</u>
Operating Income (Loss) before Depreciation	1,202,412
Less: Depreciation	<u>6,180,260</u>
Operating Loss	<u>(4,977,848)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	92,730
Interest Expense	(196,275)
Gain on Sale of Assets	1,036
Federal Grants - Coronavirus Relief Funds - ARPA	4,738,660
PFC Revenue	840,163
CFC Revenue	341,259
Total Nonoperating Revenues (Expenses)	<u>5,817,573</u>
Income before Capital Contributions	<u>839,725</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2023**

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CAPITAL CONTRIBUTIONS	
Federal Grants	4,102,561
State Grants	2,053,013
Other Capital Contributions	496,310
Total Capital Contributions	<u>6,651,884</u>
CHANGE IN NET POSITION	7,491,609
NET POSITION, JULY 1	<u>101,518,882</u>
NET POSITION, JUNE 30	<u><u>\$ 109,010,491</u></u>

The accompanying notes are an integral part of these basic financial statements.

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2023**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 8,768,881
Cash Payments to Suppliers for Goods and Services	(3,135,933)
Cash Payments to Employees for Services	(3,255,335)
Cash Payments for Employee Benefits	(1,262,919)
Cash Payments for Insurance	<u>(272,163)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>842,531</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and Construction of Capital Assets	(8,427,793)
Proceeds from Sale of Assets	1,036
Capital Grants Received	4,587,078
PFC Funds Received	832,948
CFC Funds Received	341,259
Interest Paid	(200,131)
Bond Payment	<u>(265,000)</u>
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(3,130,603)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Cares Act Funds Received	<u>4,429,830</u>
<b>NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>4,429,830</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	<u>92,730</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>92,730</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,234,488
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR</b>	<u>15,057,125</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR</b>	<u><u>\$ 17,291,613</u></u>

(Continued)



**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2023**

RECONCILIATION OF OPERATING LOSS TO	
NET CASH USED FOR OPERATING ACTIVITIES	
Operating Loss	\$ (4,977,848)
Adjustments	
Depreciation	6,180,260
(Increase) Decrease in Assets	
Net Accounts Receivable	87,442
Prepaid Expenses	(19,421)
Utility Deposits	(2,245)
Leases Receivable	1,388,098
Net Pension Assets	801,239
Deferred Outflows for Pensions	170,886
Increase (Decrease) in Liabilities	
Accounts Payable	(6,995)
Accrued Expenses	6,537
Accrued Compensated Absences	(63,411)
Accrued Wages	(123,488)
Deferred Inflows for Pensions	(1,352,836)
Deferred Inflows for Leases	(1,399,479)
Net OPEB Liability	(10,074)
Net Pension Liabilities	163,866
	<u>842,531</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 842,531</u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash on Hand	\$ 2,841
Cash in Bank	8,747,505
Cash Equivalent	5,038,464
Cash in Bank - Passenger Facility Charges	866,909
Cash in Bank - Customer Facility Charges	417,817
Cash in Bank - Aerospace Park	2,182,098
Cash on Deposit with Other Governmental Entities - Debt Service Reserve	35,979
	<u>17,291,613</u>
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u>\$ 17,291,613</u>

The accompanying notes are an integral part of these basic financial statements.

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## Notes to the Basic Financial Statements



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**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Tri-Cities Airport Authority (the Authority) is reported as an enterprise fund, a proprietary fund type to account for the operation of the Airport facility. The accompanying basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Reimbursements of operating expenses by the federal and state governments are reported as operating revenues. Operating expenses for the Authority include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

**Restricted and Unrestricted Resources**

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Restricted Assets**

Restricted assets are held to satisfy bond principal and interest sinking fund requirements or are otherwise held for certain capital improvement projects.

**Accounts Receivable**

Accounts receivable are reported at the net realizable amounts from third-party payors, lessee payments, and other services rendered. Accounts receivable are reported net of an allowance for uncollectible amounts. The allowance for uncollectible amounts is based on prior collection history of receivables, known collection risks and environmental factors, including the age of the receivables.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, runways, parking lots, and similar items), are defined by the Authority as assets with an initial individual cost of \$3,000 and greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Runways, Roads, etc.	20 years
Parking Lot	20 years
Terminal Building	30 years
Other Buildings	30 years
Equipment and Vehicles	5-20 years
Master Plans	10 years

**Investments and Cash Equivalents**

Investments are recorded at fair value as determined by quoted market prices at the Statement of Net Position date. Investments that have an original maturity of three months or less and money market accounts are considered cash equivalents for purposes of the Statement of Cash Flows.

**Leases**

The Authority is a lessor for several noncancellable leases of the airport terminal building and rental car service facility. The Authority recognized a lease receivable and a deferred inflow of resources in the Statement of Net Position. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, and (2) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- Lease receipts included in the measurement of the lease receivable is composed of minimum annual guarantees plus fixed payments from the lessee for rental car enterprises.

**Deferred Outflows / Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has four items reported as deferred outflows. (1) The Pension Contributions After Measurement Date - Plans 1 and 2 are equivalent to the Authority's pension contributions made to the Tennessee Consolidated Retirement System (TCRS) during fiscal year 2023, and will be recognized as reductions to the net pension liabilities in the following measurement period, (2) the Pension Changes in Experience - Plans 1 and 2 is a result of actuarial studies for the Authority's agent multiple-employer pension plans through TCRS, and is being amortized over the average remaining service period, (3) Net Pension Changes in Investment Earnings - Plans 1 and 2 is a result of actuarial studies for the Authority's agent multiple-employer pension plan through TCRS and is being amortized over a five-year period, and (4) the Pension Changes in Assumptions – Plans 1 and 2 is a result of the actuarial studies for the Authority's agent multiple-employer pension plans through TCRS, and is being amortized over the average remaining service period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items reported as deferred inflows. (1) The Pension Changes in Experience - Plans 1 and 2 is a result of the actuarial studies for the Authority's agent multiple-employer pension plan through TCRS and is being amortized over the average remaining service period., and (2) deferred amounts related to leases.

**Passenger Facility Charges (PFC) Revenue**

Passenger Facility Charges have been levied at the rate of \$3 (July 1, 1997, through March 31, 2010) and \$4.50 (since April 1, 2010) per enplaned passenger, under FAA approved applications to impose and use \$20,336,852 for construction and debt payments of FAA approved improvements. Under the approved applications, collections extend until January 1, 2025. PFC revenues recognized as earned by the Authority for the fiscal year ended June 30, 2023, was \$840,163 and recognized as non-operating revenues.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

Net position is the difference between assets and deferred outflows of resources minus liabilities and deferred inflows of resources. The net investment in capital assets is calculated as capital assets and unspent bond proceeds on aerospace park, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets, including construction accounts payable. Net position is reported as restricted when there are legal limitations on its use by external restrictions imposed by other governments, creditors, or grantors.

**Budgets**

Under the by-laws of the Authority, management must submit an annual operating budget to the Tri-Cities Airport Board of Commissioners for approval. In addition, management must submit to the Commissioners annually a capital improvements budget.

The Authority is not required to demonstrate statutory compliance with annual operating or capital improvement budgets. Accordingly, budgetary data is not included in the basic financial statements. Unexpended appropriations lapse at fiscal year-end.

**Pensions**

For purposes of measuring the net pension liabilities (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Authority's participation in the Public Employee Retirement Plan of the TCRS, and additions to/deductions from the Authority's fiduciary net positions have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

**Post-Employment Healthcare Benefits**

For purposes of measuring the Post-Employment Healthcare Benefit liability, the Authority recognizes benefits (including refunds of employee contributions) when they are due and payable, including related deferred outflows of resources and deferred inflows of resources related to Post-Employment Healthcare Benefit and Post-Employment Healthcare Benefit expense, in accordance with the benefit terms and actuarial valuations. The Authority does not fund the Post-Employment Healthcare Benefit liability; expenses are paid as incurred.



**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 2 - GENERAL INFORMATION**

The Authority is jointly governed by the following governmental agencies:

	<u>Representation</u>
Washington County, Tennessee	3 Commissioners
City of Johnson City, Tennessee	3 Commissioners
Sullivan County, Tennessee	2 Commissioners
City of Kingsport, Tennessee	2 Commissioners
City of Bristol, Tennessee	1 Commissioner
City of Bristol, Virginia	1 Commissioner

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Cash on the Statement of Net Position and Statement of Cash Flows includes cash on hand, demand deposits, and a money market account. An amount on deposit with another government is shown as noncurrent assets.

Cash and cash equivalents are covered by Federal Deposit Insurance Corporation (FDIC) insurance or by the state collateral pool. The Authority is exposed to concentration of credit risk by placing its deposits in financial institutions. To mitigate custodial credit risk, the Authority ensures that bank balances more than the FDIC coverage are held in financial institutions which are members of the State of Tennessee bank collateral pool to ensure excess balances are fully collateralized at all times.

DEPOSITS - State statutes require all deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the fair value of uninsured deposits. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) By an amount equal to 110% of the fair value of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) By an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) By providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

**NOTE 4 - DEBT SERVICE RESERVE**

The debt service account was funded from restricted assets of the Authority. The cash is on deposit with the Sullivan County Trustee and is to be invested in an interest-bearing account. Most of the reserve was used to pay the remaining balance of the Airport Revenue and Tax Refunding, Series 2014 Bonds.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 5 - PREPAID EXPENSES**

Payments made for insurance that will benefit periods beyond June 30, 2023, are recorded as prepaid. Prepaid expenses consisted of the following:

Insurance	\$ 152,066
Total Prepaid Expenses	\$ 152,066

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 29,069,053	-	-	29,069,053
Construction in Progress	3,309,548	8,418,922	(3,718,697)	8,009,773
Total Capital Assets, Not Being Depreciated	32,378,601	8,418,922	(3,718,697)	37,078,826
Capital Assets, Being Depreciated				
Runways and Roads	110,821,326	495,364	-	111,316,690
Parking Lot	5,722,649	-	-	5,722,649
Terminal Building	23,349,391	3,193,491	-	26,542,882
Other Buildings	19,288,330	26,984	-	19,315,314
Equipment and Vehicles	13,186,363	327,885	(22,388)	13,491,860
Master Plans	1,497,250	-	-	1,497,250
Total Capital Assets, Being Depreciated	173,865,309	4,043,724	(22,388)	177,886,645
Accumulated Depreciation				
Runways and Roads	(71,294,042)	(3,759,973)	-	(75,054,015)
Parking Lot	(4,408,758)	(258,368)	-	(4,667,126)
Terminal Building	(16,542,149)	(853,643)	-	(17,395,792)
Other Buildings	(9,689,558)	(758,276)	-	(10,447,834)
Equipment and Vehicles	(11,233,935)	(450,496)	22,388	(11,662,043)
Master Plans	(1,304,838)	(99,504)	-	(1,404,342)
Total Accumulated Depreciation	(114,473,280)	(6,180,260)	22,388	(120,631,152)
Net Capital Assets, Being Depreciated	59,392,029	(2,136,536)	-	57,255,493
Net Capital Assets	\$ 91,770,630	6,282,386	(3,718,697)	94,334,319

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 7 - RESTRICTED ASSETS**

Money received from the airlines for passenger facility charges is restricted for use on capital improvement projects approved by the Federal Aviation Administration or to repay debt associated with these projects.

A customer facility charge assessed on rental car contracts is restricted for use on capital improvement projects, maintenance and debt service payments associated with the rental car facilities.

Cash on deposit with other governmental entities is restricted for use on debt service.

Restricted cash in bank accounts are restricted for use on payment of construction escrows and unspent bond proceeds for the Aerospace Park.

**NOTE 8 - ACCRUED COMPENSATED ABSENCES**

Employees earn 40 hours of vacation at the completion of six months of service; 80 additional hours after completion of one year; 120 hours after five years, 160 hours after 12 years; and 200 hours after 25 years of continuous employment. Vacation time is awarded on the anniversary date and should be used during the year; however, unused vacation time of up to 120 hours can be carried forward into the next year. The carry forward amount cannot accumulate for more than a one-year period and the carry forward balance cannot exceed 120 hours at any time.

Employees earn one sick day per month to a maximum of 10 per year. An unlimited number of days may be accumulated toward retirement; however, no lump sum payment will be made by the Authority for accumulated sick days.

**NOTE 9 - LONG-TERM DEBT**

**Aerospace Park Series 2018 Bonds**

The \$8,500,000 Aerospace Park Bonds (Taxable), Series 2018 were issued March 19, 2018, by the Authority for the purpose of providing funds to pay the costs of construction, site development, infrastructure, paving and utilities for the Aerospace Park.

The bonds are payable solely from and secured solely by a pledge of Aerospace Park net revenues, subject to the prior pledge of net revenues of the Airport (which includes the Aerospace Park net revenues) under the 2013 pledge agreement (with Sullivan County), and from amounts payable by the Tennessee Authority Members under the guaranty agreements.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 9 - LONG-TERM DEBT (CONTINUED)**

**Aerospace Park Series 2018 Bonds (Continued)**

Since no net revenues are anticipated in the foreseeable future, it is expected that the principal of and interest on the Series 2018 Bonds will be primarily repaid in the near-term from amounts payable by the Tennessee Authority Members under the Guaranty agreements, pursuant to which each member pledged its full faith and credit and its unlimited taxing power to pay a pro-rata share of the principal and interest on the Series 2018 Bonds. The bonds will mature serially each May 1 and began May 1, 2018, and end May 1, 2038. Interest rates are scheduled and vary from 4.5% to 3.0%. Interest payments are due semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup> and began November 1, 2018.

Aerospace Park Bonds debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal Payments	Annual Interest	Total Debt Service
2024	\$ 275,000	188,181	463,181
2025	290,000	175,806	465,806
2026	305,000	162,756	467,756
2027	315,000	153,606	468,606
2028	325,000	143,763	468,763
2029-2033	1,785,000	553,575	2,338,575
2034-2038	2,090,000	229,488	2,319,488
	<u>\$ 5,385,000</u>	<u>1,607,175</u>	<u>6,992,175</u>

Long-term liability activity for the fiscal year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 5,650,000	-	(265,000)	5,385,000	275,000
Plus: Premium	60,725	-	(3,856)	56,869	-
Total Bonds Payable	<u>5,710,725</u>	<u>-</u>	<u>(268,856)</u>	<u>5,441,869</u>	<u>275,000</u>
Compensated Absences	245,736	133,785	(197,196)	182,325	172,849
Total Long-Term Liabilities	<u>\$ 5,956,461</u>	<u>133,785</u>	<u>(466,052)</u>	<u>5,624,194</u>	<u>447,849</u>

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**NOTE 10 - BOND DEFEASANCE**

In March 2022, the Authority paid off Washington County's share of the 2018 Aerospace Park Bonds. The face value of the remaining bonds was \$1,715,000, and the Authority has deposited \$2,196,551 in an escrow account with the fiscal agent for the bonds that was contributed by Washington County, TN. These funds have been invested in U.S. Government Treasury securities that will provide the total principal and interest due on the remaining bonds as they mature over the next three years. The Authority has directed the paying agent to call and redeem on May 1, 2026, the defeased bonds maturing May 1, 2027, through May 1, 2034, inclusive, May 1, 2036, and May 1, 2038.

**NOTE 11 - PENSION PLANS**

**General Information about the Pension Plans**

*Plan Descriptions*

**Plan 1**

Employees of the Authority are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

**Plan 2**

Employees of the Authority are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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**NOTE 11 - PENSION PLANS (CONTINUED)**

**General Information about the Pension Plans (Continued)**

***Benefits Provided***

**Plan 1**

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**Plan 2**

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80.

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**NOTE 11 - PENSION PLANS (CONTINUED)**

**General Information about the Pension Plans (Continued)**

*Benefits Provided (Continued)*

**Plan 2 (Continued)**

Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms*

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

**Plan 1**

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	41
Active employees	16
	112
	112

Plan 1 is closed to new entrants.

**Plan 2**

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	7
Active employees	28
	36
	36

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**NOTE 11 - PENSION PLANS (CONTINUED)**

**General Information about the Pension Plans (Continued)**

***Contributions***

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The Authority has adopted employee noncontributory plans. The Authority makes employer contributions at the rates set by the Board of Trustees as determined by actuarial valuations. For the fiscal year ended June 30, 2023, the employer contributions for the Authority were \$212,552 based on a rate of 20.15 percent of covered payroll for Plan 1 and \$110,308 based on a rate of 6.14 percent of covered payroll for Plan 2. By law, employer contributions are required to be paid. The TCRS may intercept the Authority's state shared taxes if required employer contributions are not remitted. The employer's Actuarially Determined Contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liabilities (Assets)**

The Authority's net pension liabilities (assets) were measured as of June 30, 2022, and the total pension liabilities used to calculate net pension liabilities (assets) were determined by actuarial valuations as of that date.

***Actuarial Assumptions***

The total pension liability (asset) as of June 30, 2022 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2022 actuarial valuations were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to reflect more closely actual and expected future experience.



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**NOTE 11 - PENSION PLANS (CONTINUED)**

**Net Pension Liabilities (Assets) (Continued)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates 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 of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31.00%
Developed Market International Equity	5.37%	14.00%
Emerging Market International Equity	6.09%	4.00%
Private Equity and Strategic Lending	6.57%	20.00%
U.S. Fixed Income	1.20%	20.00%
Real Estate	4.38%	10.00%
Short-Term Securities	0.00%	1.00%
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

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**NOTE 11 - PENSION PLANS (CONTINUED)**

**Net Pension Liabilities (Assets) (Continued)**

***Discount Rate***

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Authority will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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 (asset).

**Changes in the Net Pension Liabilities (Assets)**

**Plan 1**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/2021	\$ 11,190,439	11,929,500	(739,061)
Changes for the fiscal year:			
Service Cost	96,882	-	96,882
Interest	742,239	-	742,239
Differences Between Expected and Actual Experience	(149,568)	-	(149,568)
Changes in Assumptions	-	-	-
Contributions - Employer	-	238,193	(238,193)
Net Investment Income	-	(449,759)	449,759
Benefit Payments, Including Refunds of Employee Contributions	(582,386)	(582,386)	-
Administrative Expense	-	(1,807)	1,807
Net Changes	107,167	(795,759)	902,926
Balance at 6/30/2022	\$ 11,297,606	11,133,741	163,865

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**NOTE 11 - PENSION PLANS (CONTINUED)**

**Changes in the Net Pension Liabilities (Assets) (Continued)**

**Plan 2**

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/2021	\$ 444,389	512,486	(68,097)
Changes for the fiscal year:			
Service Cost	71,838	-	71,838
Interest	34,775	-	34,775
Differences Between Expected and Actual Experience	13,770	-	13,770
Changes in Assumptions	-	-	-
Contributions - Employer	-	81,936	(81,936)
Net Investment Income	-	(21,083)	21,083
Benefit Payments	(2,087)	(2,087)	-
Administrative Expense	-	(2,648)	2,648
Net Changes	<u>118,296</u>	<u>56,118</u>	<u>62,178</u>
Balance at 6/30/2022	<u>\$ 562,685</u>	<u>568,604</u>	<u>(5,919)</u>

***Sensitivity of the Net Pension Liabilities (Assets) to Changes in the Discount Rate***

The following presents the net pension liabilities (asset) of the Authority calculated using the discount rate of 6.75 percent, as well as what the net pension liabilities (assets) would be if they were calculated using a discount rate that is 1.00-percentage-point lower (5.75 percent) or 1.00-percentage-point higher (7.75 percent) than the current rate:

**Plan 1**

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Tri-Cities Airport Authority's Net Pension Liability (Asset)	<u>\$ 1,370,707</u>	<u>163,865</u>	<u>(862,311)</u>

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**NOTE 11 - PENSION PLANS (CONTINUED)**

**Changes in the Net Pension Liabilities (Assets) (Continued)**

*Sensitivity of the Net Pension Liabilities (Asset) to Changes in the Discount Rate (Continued)*

**Plan 2**

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Tri-Cities Airport Authority's Net Pension Liability (Asset)	\$ 97,605	(5,919)	(89,310)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Expense (Negative Pension Expense)*

For the fiscal year ended June 30, 2023, the Authority recognized pension expense (negative pension expense) of \$108,967.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the fiscal year ended June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Plan 1**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	110,947
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	8,923	-
Changes in Assumptions	195,431	-
Contributions Subsequent to the Measurement Date of June 30, 2022	212,552	(not applicable)
Total	\$ 416,906	110,947

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**NOTE 11 - PENSION PLANS (CONTINUED)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

**Plan 2**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 42,616	26,689
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,909	-
Changes in Assumptions	26,234	-
Contributions Subsequent to the Measurement Date of June 30, 2022	110,308	(not applicable)
Total	\$ 186,067	26,689

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Plan 1**

Fiscal Year Ended June 30:	
2024	\$ 16,594
2025	(64,354)
2026	(107,497)
2027	248,664

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**NOTE 11 - PENSION PLANS (CONTINUED)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

**Plan 2**

Fiscal Year Ended June 30:		
2024	\$	5,112
2025		5,199
2026		3,829
2027		15,921
2028		2,399
Thereafter		16,610

**Reconciliation of Pension Plans to the Statement of Net Position**

	Plan 1 - TCRS	Plan 2 - TCRS Hybrid	Total
Deferred Outflows Related to Pensions			
Differences Between Expected and Actual Experience	\$ -	42,616	42,616
Differences Between Projected and Actual Investment Earnings	\$ 8,923	6,909	15,832
Contributions Subsequent to Measurement Date	\$ 212,552	110,308	322,860
Changes in Assumptions	\$ 195,431	26,234	221,665
Deferred Inflows Related to Pensions			
Differences Between Expected and Actual Experience	\$ (110,947)	(26,689)	(137,636)

**NOTE 12 - DEFINED CONTRIBUTION PLAN**

The Authority offers a multiple-employer defined contribution (401k) plan to its employees, administered by Great-West Retirement Services. The State of Tennessee Deferred Compensation Plan II (the Plan) is available to Authority employees who were hired after July 1, 2013. Any full-time Authority employee who renders forty or more hours of service per week will be eligible to participate in the plan. This plan is offered in conjunction with the TCRS Hybrid Plan. The Authority will match 100% of an employee's elective deferrals of up to 3% of compensation. Participants in the TCRS Legacy Plan that elect to participate are not eligible for a match. The vested interest of each participant shall be 100% after three years of service. Forfeitures will be used first to reduce the Authority's matching contributions and then to offset plan expenses. The Authority's Commission has the right to amend the elections regarding benefit terms, such as, contribution rates, vesting and forfeitures. Pension expense recognized by the Authority totaled \$76,852 and employer contributions totaled \$110,308 for the fiscal year ended June 30, 2023.

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**NOTE 13 - POST-EMPLOYMENT HEALTHCARE BENEFITS**

The Authority, as a single employer, offers post-employment health care benefits to certain eligible employees. These benefits are approved by the Board of Directors and require their approval for amendment. No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

*Eligibility.* All employees who have reached age 55 or older with continuous service of at least 30 years are eligible for retiree health benefits until they are eligible for Medicare. Benefits cease at age 65.

*Benefits Provided.* Full-time employees who retire after attaining eligibility for full service are eligible to receive medical benefits of \$200 per month if single and \$500 if married up to the age of 65.

*Employees Covered by Benefit Terms.* As of the June 30, 2022 measurement date, the following employees were covered by benefit terms:

Active Full-Time	42
Retirees	0
Total	42

**Funding Policy**

The contribution requirements of plan members and the Authority are based on pay-as-you-go financing requirements.

**Post-Employment Healthcare Benefit Liability**

The Authority's Post-Employment Healthcare Benefit liability was measured based on an actuarial valuation performed as of July 1, 2021, updated on May 23, 2023, with a projection to June 30, 2023, and a measurement date of July 1, 2022.

*Actuarial Assumptions*

Discount Rate	<p>A discount rate of 2.19% was used as of June 30, 2022.  The discount based on S&amp;P Municipal Bond 20-Year High Grade Index.</p> <p>A discount rate of 4.09% was used as of June 30, 2023.  The discount based on S&amp;P Municipal Bond 20-Year High Grade Index.</p>
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**NOTE 13 - POST-EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

*Actuarial Assumptions (Continued)*

Payroll Growth Rate                      2021 TCRS Salary Growth Table

<u>Age</u>	<u>Rate</u>
25	7.5%
35	5.8%
45	4.5%
55	3.7%

Inflation Rate                              3.0% per year.

Cost Method                                Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant’s benefit at retirement; and
- Annual Service Cost is a constant percentage of the participant’s salary that is assumed to increase according to the Payroll Growth.

Coverage Election Rate                      Active employees with current coverage: 100%  
Active employees with no coverage: 0%

Inactive employees with current coverage: 100%  
Inactive employees with no coverage: 0%

Spousal Coverage                            Based on actual coverage for current active employees and retirees. For active employees and retirees where spousal date of birth information was not provided, husbands are assumed to be three years older than wives.

Mortality                                      SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP - 2021.

Disability                                      None

Retirement Rates                        100% at age 55 or first retirement eligibility.



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**NOTE 13 - POST-EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

*Actuarial Assumptions (Continued)*

Turnover Rate                      Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. The termination rates are based on the Tennessee Consolidated Retirement System Actuarial Valuation as of the year ending June 30, 2021. Sample annual turnover rates are as shown below.

Male				Female			
Age	0 YOS	1 YOS	2+ YOS	Age	0 YOS	1 YOS	2+ YOS
25	21.8%	17.9%	7.4%	25	21.8%	17.9%	11.1%
30	21.8%	17.9%	7.4%	30	21.8%	17.9%	11.1%
35	20.5%	16.9%	5.5%	35	20.5%	16.9%	8.3%
40	19.2%	15.9%	3.5%	40	19.2%	15.9%	5.4%
45	18.1%	14.5%	3.2%	45	18.1%	14.5%	4.6%
55+	17.0%	13.0%	2.8%	55+	17.0%	13.0%	3.8%

Health Care Trend Rates              Explicit subsidy amounts are not assumed to increase in the future.

Retiree Contributions                  None.

Administrative Expenses              Included in premiums used.

**Changes in the Post-Employment Healthcare Benefit Liability**

	<b>Increase (Decrease)</b>
	<b>Total Post-Employment Healthcare Benefit Liability</b>
Balance at June 30, 2022	\$ 103,659
Changes for the year:	
Service Cost	3,057
Interest	2,337
Assumption Changes	(15,468)
Net Changes	(10,074)
Balance at June 30, 2023	\$ 93,585

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**NOTE 13 - POST-EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

**Changes in the Post-Employment Healthcare Benefit Liability (Continued)**

***Sensitivity of the Post-Employment Healthcare Benefit Liability to Changes in the Discount Rate***

The following presents the Post-Employment Healthcare Benefit liability of the Authority calculated using the discount rate of 4.09 percent, as well as what the Post-Employment Healthcare Benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09 percent) or 1-percentage-point higher (5.09 percent) than the current discount rate:

	1.00% Decrease (3.09%)	Current Discount Rate (4.09%)	1.00% Increase (5.09%)
Post-Employment Healthcare Benefit Liability	\$ 98,400	93,585	89,064

***Sensitivity of the Post-Employment Healthcare Benefit Liability to Changes in the Health Care Trend Rate***

Explicit subsidy amounts are not assumed to change with health care trend rates, so changes in health care trend rates do not impact liabilities.

**Post-Employment Healthcare Benefit Expense**

For the fiscal year ended June 30, 2023, the Authority recognized Post-Employment Healthcare Benefit income of \$10,074. All deferred outflows/(inflows) of resources are recognized immediately.

**NOTE 14 - DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan, administered by Mission Square Retirement. The Tri-Cities Airport Authority 457(b) plan is available to all Authority employees participating in the TCRS Legacy Plan. It permits these eligible employees to contribute into the Plan 100% of eligible compensation, which is defined as compensation from the Authority for a taxable year that is attributable to services performed for the Authority and that is includible in the participants gross income for federal income tax purposes as defined in Section 457(e)(5) by the Internal Revenue Service (IRS); such term does not include any amount excludable from gross income under this Plan or any other plan described in Section 457(b) of the Code or any other amount excludable from gross income for federal income tax purposes. Contributions cannot exceed maximum contribution limits set by the IRS. The Plan assets are in custodial accounts and are not subject to the claims of the Authority’s general creditors and are not reflected in these financial statements. The Authority’s Commission has the right to amend benefit terms and the Plan. Employee contributions totaled \$39,353 for the fiscal year ended June 30, 2023.

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**NOTE 15 - RISK MANAGEMENT ACTIVITIES**

The Authority carries insurance coverage through ACE and Cincinnati Insurance Company for general liability, commercial property, business automobile liability, and business interruption/loss of income. Workers compensation insurance is provided through USAIG. Additional coverage for public officials is provided by Darwin Select.

The Authority established an investment account committed as an insurance contingency fund to cover any claims not covered by insurance during the fiscal year ended June 30, 1987. The action required initial funding of \$500,000. During the fiscal year ended June 30, 1990, an additional \$200,000 was added. Funding for successive fiscal years is subject to a majority vote of the Authority. Withdrawals from the fund will only be allowed by a two-thirds vote of the Authority. There have been no claims paid from this fund over the past ten fiscal years. This amount is a portion of the cash equivalent balance of \$5,038,464 at June 30, 2023.

In addition, the Authority provides medical insurance through United Healthcare. No portion of health insurance is self-funded. No settlements exceeded insurance coverage for each of the past eight fiscal years.

**NOTE 16 - ECONOMIC DEPENDENCY**

The Authority obtains substantially all its funding for capital projects and improvements from grants provided by the Federal Aviation Administration and State of Tennessee Department of Transportation Aeronautics Division.

**NOTE 17 - COMMITMENTS AND CONTINGENCIES**

The Authority has entered approximately \$3,200,000 of construction contract commitments that had begun and were in-process at fiscal year-end. These construction contract commitments will be paid primarily with capital grants.

**NOTE 18 - LESSOR AGREEMENTS**

The Authority has entered into agreements with several rental car companies for the use of certain Airport facilities for parking and rental car administration. The terms of these agreements include a fixed minimum annual guarantee (MAG) payment which varies between the different rental car companies, as well as various fixed rent for use of the Counter, RAC, and Joint-Use RAC. The MAG for each of the rental car facilities varies each year but can never be less than 90% of the previous year's payments or the MAG stated in the lease agreement, whichever is greater. The Counter and RAC monthly payments vary between the rental car companies, while the Joint-Use RAC monthly payment is consistent for all three. All the rental car leases commenced on July 1, 2019 with a term of 5 years.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 18 - LESSOR AGREEMENTS (CONTINUED)**

The future payments included in the measurement of the lease receivable are as follows:

**Rental Car Leases**

Fiscal Year Ending June 30	Total to be Received	Principal	Interest
2024	\$ 1,223,401	1,199,230	24,171
	\$ 1,223,401	1,199,230	24,171

The Authority has entered into three other lease agreements with other parties for use of their facility space. These leases are included in the lease receivable balance and are comprised entirely of fixed monthly payments in relation to office space and fees for use of the facility.

The future payments included in the measurement of the lease receivable are as follows:

**Facility Use Leases**

Fiscal Year Ending June 30	Total to be Received	Principal	Interest
2024	\$ 275,589	260,659	14,930
2025	261,857	256,715	5,142
2026	4,839	4,824	15
	\$ 542,285	522,198	20,087

In accordance with GASB 87, the Authority does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings from agencies such as the U.S. Department of Transportation and the Federal Aviation Administration and regulated aviation leases between airports and air carriers and other aeronautical users.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 18 - LESSOR AGREEMENTS (CONTINUED)**

Regulated leases include the following:

*Corporate Hangar, Land, & Access*

On various dates, the Authority entered into two lease agreements ranging from 5 - 24 years with tenants for use of one or more hangars for corporate use with lease revenue of \$61,405 for fiscal year ended June 30, 2023.

Future minimum lease payments are as follows:

<b>Corporate Hangar, Land, &amp; Access</b>	
Fiscal Year Ending June 30	Total to be Received
2024	\$ 61,406
2025	58,323
	<u>\$ 119,729</u>

*Cargo Center Terminal Space*

On various dates, the Authority entered into four lease agreements ranging from 1 – 30 years with for use of terminal space within the cargo center at the airport. Cargo Center Terminal Space Revenue was \$67,810 for the fiscal year ended June 30, 2023.

Future minimum lease payments are as follows:

<b>Cargo Center Terminal Space</b>	
Fiscal Year Ending June 30	Total to be Received
2024	\$ 61,803
2028	11,760
Thereafter	270,480
	<u>\$ 454,682</u>

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 18 - LESSOR AGREEMENTS (CONTINUED)**

*Aviation Service Agreements*

On various dates, the Authority entered into three lease agreements ranging from 5-20 years with tenants for the use of a specified amount of space located in one of the hangars to support aviation services. Airfield Service Agreements Revenue was \$779,948 for the fiscal year ended June 30, 2023.

Future minimum lease payments are as follows:

<b>Aviation Service Agreements</b>	
Fiscal Year Ending June 30	Total to be Received
2024	\$ 486,395
2025	486,395
2026	486,395
2027	433,835
2028	171,035
Thereafter	1,001,752
	<u>\$ 3,065,807</u>

*Airfield Access and Ground Space Agreements*

On various dates, the Authority entered into two lease agreements ranging from 5 - 30 years with tenants for the use of ground and airfield access to support aviation services. Airfield Access and Ground Space Revenue was \$168,602 for the fiscal year ended June 30, 2023.

Future minimum lease payments are as follows:

<b>Airfield Access and Ground Space Agreements</b>	
Fiscal Year Ending June 30	Total to be Received
2024	\$ 175,518
2025	38,121
2026	38,121
2027	38,121
2028	38,121
Thereafter	82,595
	<u>\$ 410,597</u>

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 19 - COVID-19**

On March 13, 2020, the United States declared a national emergency due to the spread of a coronavirus, COVID-19. This was in response to the World Health Organization characterizing the virus as a pandemic on March 11, 2020. The Authority was awarded a second federal grant under the Airport Coronavirus Response Grant Program (ACRGP) for \$2,003,637 to provide funding for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport and debt service payments. They have spent \$280,041 of that award in fiscal year 2022, and the remaining \$1,723,596 in fiscal year 2023. In November 2021, a notice of grant award of \$3,016,683 was received and to be funded by the American Rescue Plan Act of 2021. As of June 30, 2023, they have spent the entire \$3,016,683. This grant provided economic relief funds for costs related to operations, personnel, cleaning, sanitization, janitorial services, debt service payments, and combating the spread of pathogens at the airport.

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## Required Supplemental Information



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**TRI-CITIES AIRPORT AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TRI-CITIES AIRPORT AUTHORITY'S NET PENSION LIABILITY (ASSET)  
AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 1 OF TCRS  
Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Total Pension Liability</b>									
Service Cost	\$148,999	147,240	125,439	113,586	112,525	100,550	93,729	81,406	96,882
Interest	613,697	627,504	652,992	661,468	685,678	703,695	726,416	742,840	742,239
Differences between Actual and Expected Experience	(170,126)	14,422	(212,485)	29,228	(48,316)	32,110	(41,537)	(108,489)	(149,568)
Change of Assumptions	-	-	-	292,916	-	-	-	586,293	-
Benefit Payments, including Refunds of Employee Contributions	(397,859)	(415,589)	(439,452)	(442,710)	(473,462)	(505,351)	(526,928)	(552,552)	(582,386)
<b>Net Change in Total Pension Liability</b>	<u>194,711</u>	<u>373,577</u>	<u>126,494</u>	<u>654,488</u>	<u>276,425</u>	<u>331,004</u>	<u>251,680</u>	<u>749,498</u>	<u>107,167</u>
<b>Total Pension Liability - Beginning</b>	<u>8,232,562</u>	<u>8,427,273</u>	<u>8,800,850</u>	<u>8,927,344</u>	<u>9,581,832</u>	<u>9,858,257</u>	<u>10,189,261</u>	<u>10,440,941</u>	<u>11,190,439</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$8,427,273</u>	<u>8,800,850</u>	<u>8,927,344</u>	<u>9,581,832</u>	<u>9,858,257</u>	<u>10,189,261</u>	<u>10,440,941</u>	<u>11,190,439</u>	<u>11,297,606</u>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer	\$299,934	283,053	269,362	269,242	244,093	231,695	255,370	256,391	238,193
Net Investment Income	1,119,862	238,941	208,038	892,612	711,035	671,865	467,258	2,476,929	(449,759)
Benefit Payments, including Refunds of Employee Contributions	(397,859)	(415,589)	(439,452)	(442,710)	(473,462)	(505,351)	(526,928)	(552,552)	(582,386)
Administrative Expense	(1,755)	(1,776)	(2,358)	(2,529)	(2,570)	(2,178)	(2,127)	(2,016)	(1,807)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>1,020,182</u>	<u>104,629</u>	<u>35,590</u>	<u>716,615</u>	<u>479,096</u>	<u>396,031</u>	<u>193,573</u>	<u>2,178,752</u>	<u>(795,759)</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>6,805,032</u>	<u>7,825,214</u>	<u>7,929,843</u>	<u>7,965,433</u>	<u>8,682,048</u>	<u>9,161,144</u>	<u>9,557,175</u>	<u>9,750,748</u>	<u>11,929,500</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$7,825,214</u>	<u>7,929,843</u>	<u>7,965,433</u>	<u>8,682,048</u>	<u>9,161,144</u>	<u>9,557,175</u>	<u>9,750,748</u>	<u>11,929,500</u>	<u>11,133,741</u>
<b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<u>\$602,059</u>	<u>871,007</u>	<u>961,911</u>	<u>899,784</u>	<u>697,113</u>	<u>632,086</u>	<u>690,193</u>	<u>(739,061)</u>	<u>163,865</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	92.86%	90.10%	89.23%	90.61%	92.93%	93.80%	93.39%	106.60%	98.55%
<b>Covered Payroll</b>	\$1,676,554	1,563,831	1,478,191	1,484,063	1,348,579	1,280,081	1,275,722	1,278,120	1,182,322
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	35.91%	55.70%	65.07%	60.63%	51.69%	49.38%	54.10%	-57.82%	13.86%

*Changes of assumptions.* In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF TRI-CITIES AIRPORT AUTHORITY'S CONTRIBUTIONS BASED ON**  
**PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 1 OF TCRS**  
**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially Determined Contribution Contributions in relation to the	\$ 299,934	283,053	269,362	269,242	244,093	231,695	255,370	256,391	237,174	212,552
Actuarially Determined Contribution Contribution Deficiency (Excess)	<u>299,934</u>	<u>283,053</u>	<u>269,362</u>	<u>269,242</u>	<u>244,093</u>	<u>231,695</u>	<u>255,370</u>	<u>256,391</u>	<u>237,174</u>	<u>212,552</u>
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 1,676,554	1,563,831	1,478,191	1,484,063	1,348,579	1,280,081	1,275,722	1,278,120	1,182,322	1,059,583
Contributions as a Percentage of Covered Payroll	17.89%	18.10%	18.22%	18.14%	18.10%	18.10%	20.02%	20.06%	20.06%	20.06%

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.
Cost-of-Living Adjustments	2.125 percent

Changes of assumptions:

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and increased social security wage base was lowered from 3.00% to 2.75%. In 2017, the following assumptions were changed: decreased inflation rate from 3 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent ; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4 percent; and modified mortality assumptions.

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TRI-CITIES AIRPORT AUTHORITY'S NET PENSION LIABILITY (ASSET)**  
**AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 2 OF TCRS**  
**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Total Pension Liability</b>									
Service Cost	\$ 4,222	20,529	28,803	35,818	45,698	52,275	48,149	59,734	71,838
Interest	317	2,078	5,549	9,125	14,001	19,138	20,814	26,630	34,775
Differences between Actual and Expected Experience	2,634	15,401	6,313	14,796	4,581	(44,176)	(266)	18,628	13,770
Change of Assumptions	-	-	-	1,833	-	-	-	31,875	-
Benefit Payments, including refunds of employee contributions	-	-	-	-	-	-	-	(110)	(2,087)
<b>Net Change in Total Pension Liability</b>	<u>7,173</u>	<u>38,008</u>	<u>40,665</u>	<u>61,572</u>	<u>64,280</u>	<u>27,237</u>	<u>68,697</u>	<u>136,757</u>	<u>118,296</u>
<b>Total Pension Liability - Beginning</b>	<u>-</u>	<u>7,173</u>	<u>45,181</u>	<u>85,846</u>	<u>147,418</u>	<u>211,698</u>	<u>238,935</u>	<u>307,632</u>	<u>444,389</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 7,173</u>	<u>45,181</u>	<u>85,846</u>	<u>147,418</u>	<u>211,698</u>	<u>238,935</u>	<u>307,632</u>	<u>444,389</u>	<u>562,685</u>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer	\$ 13,022	20,529	29,532	52,913	56,194	56,040	67,945	68,971	81,936
Net Investment Income	1,065	740	1,309	10,310	12,825	16,540	14,839	98,220	(21,083)
Benefit Payments, including refunds of employee contributions	-	-	-	-	-	-	-	(110)	(2,087)
Administrative Expense	(175)	(324)	(796)	(1,073)	(1,287)	(1,362)	(1,574)	(1,807)	(2,648)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>13,912</u>	<u>20,945</u>	<u>30,045</u>	<u>62,150</u>	<u>67,732</u>	<u>71,218</u>	<u>81,210</u>	<u>165,274</u>	<u>56,118</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>-</u>	<u>13,912</u>	<u>34,857</u>	<u>64,902</u>	<u>127,052</u>	<u>194,784</u>	<u>266,002</u>	<u>347,212</u>	<u>512,486</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 13,912</u>	<u>34,857</u>	<u>64,902</u>	<u>127,052</u>	<u>194,784</u>	<u>266,002</u>	<u>347,212</u>	<u>512,486</u>	<u>568,604</u>
<b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<u>\$ (6,739)</u>	<u>10,324</u>	<u>20,944</u>	<u>20,366</u>	<u>16,914</u>	<u>(27,067)</u>	<u>(39,580)</u>	<u>(68,097)</u>	<u>(5,919)</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	193.95%	77.15%	75.60%	86.18%	92.01%	111.33%	112.87%	115.32%	101.05%
<b>Covered Payroll</b>	\$ 220,720	347,955	531,211	711,204	755,288	768,728	919,420	1,045,020	1,291,509
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	-3.05%	2.97%	3.94%	2.86%	2.24%	-3.52%	-4.30%	-6.52%	-0.46%

*Changes of assumptions.* In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TRI-CITIES AIRPORT AUTHORITY'S CONTRIBUTIONS BASED ON  
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 2 OF TCRS\*  
Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially Determined Contribution	\$ 13,022	20,529	29,532	52,913	56,194	56,040	67,945	68,971	80,002	110,308
Contributions in relation to the										
Actuarially Determined Contribution	13,022	20,529	29,532	52,913	56,194	56,040	67,945	68,971	80,002	110,308
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	-
Covered Payroll	\$ 220,720	347,955	531,211	711,204	755,288	768,728	919,420	1,045,020	1,291,509	1,626,962
Contributions as a Percentage of										
Covered Payroll	5.90%	5.90%	5.56%	7.44%	7.44%	7.29%	7.39%	6.60%	6.19%	6.78%

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.
Cost-of-Living Adjustments	2.125 percent

Changes of assumptions:

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4 percent.

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN POST-EMPLOYMENT HEALTHCARE BENEFITS LIABILITY**  
**AND RELATED RATIOS**  
**Last Fiscal Year Ending June 30**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
TOTAL POST-EMPLOYMENT HEALTHCARE BENEFITS LIABILITY				
Service Cost	\$ 2,142	\$ 2,302	\$ 2,782	\$ 3,057
Interest	3,542	3,491	2,779	2,337
Change in Assumptions	2,087	4,871	2,579	(9,403)
Differences Between Expected and Actual Experience	<u>-</u>	<u>(6,105)</u>	<u>(6,183)</u>	<u>(6,065)</u>
NET CHANGE IN POST-EMPLOYMENT HEALTHCARE BENEFITS LIABILITY	7,771	4,559	1,957	(10,074)
TOTAL POST-EMPLOYMENT HEALTHCARE BENEFITS LIABILITY - BEGINNING	<u>89,372</u>	<u>97,143</u>	<u>101,702</u>	<u>103,659</u>
TOTAL POST-EMPLOYMENT HEALTHCARE BENEFITS LIABILITY - ENDING (a)	<u>\$ 97,143</u>	<u>\$ 101,702</u>	<u>\$ 103,659</u>	<u>\$ 93,585</u>
COVERED PAYROLL	N/A	N/A	N/A	N/A
NET POST-EMPLOYMENT HEALTHCARE BENEFITS LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	N/A	N/A	N/A	N/A

**Notes to Schedule:**

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits.

*Changes in Assumptions*

*Discount Rate:* In fiscal year 2023, discount rate assumptions changed from 2.19 percent at June 30, 2022 to 4.09 percent at June 30, 2023 using the yield for a 20-year tax-exempt general obligation municipal bond as of July 1, 2021.

GASB 75 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 75. The information in this schedule is not required to be presented retroactively prior to the implementation date. Fiscal years will be added to this schedule in future fiscal years until ten fiscal years of information is available.

See Independent Auditors' Report.

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## Supplemental Schedules



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**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2023**

Federal Assistance Listings				
Number	Grantor Agency	Grant Number	Program Description	Expenditures <sup>a b</sup>
20.106	Federal Aviation Administration	AIP 3-47-0004-72	Apron Construction and Rehabilitate Taxiway A	1,143
		AIP 3-47-0004-74	Terminal Building Roof, Basler and Longworth Properties	218,597
		AIP 3-47-0004-75	Airport Covid 19 Relief Grant Program Cares Act - Pathogen Control	1,721,977
		AIP 3-47-0004-77	Airport Rescue Grant	3,016,683
		AIP 3-47-0004-79	Airport Development and Rehabilitate Taxiway A	3,875,561
				<u>\$ 8,833,961</u>

<sup>a</sup> This Schedule reflects the federal grantor's share of the expenditures.

<sup>b</sup> There were no pass-through entities or subrecipients.

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2023**

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**NOTE 1 - BASIS OF PRESENTATION**

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Tri-Cities Airport Authority under programs of the federal government for the fiscal year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Tri-Cities Airport Authority, it is not intended to, and does not present, the financial position, changes in net position or cash flows of Tri-Cities Airport Authority.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Tri-Cities Airport Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY  
 FEDERAL GRANT AIP #3-47-0004-72  
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
 Cumulative for the Grant to June 30, 2023**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Taxiway A Rehabilitation and Apron Construction	\$ -	950,706	1,149,161	198,455	-
R/W Obstruction Mitigation Easements	1,143	200,008	192,288	(7,720)	-
	<u>\$ 1,143</u>	<u>1,150,714</u>	<u>1,341,449</u>	<u>190,735</u>	<u>-</u>
 <u>Share of Cost</u>					
Federal Grant (100%)	<u>\$ 1,143</u>	<u>1,150,714</u>	<u>1,341,449</u>	<u>190,735</u>	<u>-</u>
	<u>\$ 1,143</u>	<u>1,150,714</u>	<u>1,341,449</u>	<u>190,735</u>	<u>-</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
 FEDERAL GRANT AIP #3-47-0004-74  
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
 Cumulative for the Grant to June 30, 2023**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Roof Replacement	\$ 218,597	968,413	1,194,826	226,413	-
Longworth Land Acquisition	-	623,491	655,608	32,117	-
Basler Land Acquisition	-	441,959	441,856	(103)	-
	<u>\$ 218,597</u>	<u>2,033,863</u>	<u>2,292,290</u>	<u>258,427</u>	<u>-</u>
 <u>Share of Cost</u>					
Federal Grant (100%)	<u>\$ 218,597</u>	<u>2,033,863</u>	<u>2,292,290</u>	<u>258,427</u>	<u>-</u>
	<u>\$ 218,597</u>	<u>2,033,863</u>	<u>2,292,290</u>	<u>258,427</u>	<u>-</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
 FEDERAL GRANT AIP #3-47-0004-79  
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
 Cumulative for the Grant to June 30, 2023**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Taxiway A Rehabilitation	\$ 4,306,179	4,306,179	5,482,933	1,176,754	-
	<u>\$ 4,306,179</u>	<u>4,306,179</u>	<u>5,482,933</u>	<u>1,176,754</u>	<u>-</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 3,875,561	3,875,561	4,934,640	1,059,079	-
Tri-Cities Airport Authority	430,618	430,618	548,293	117,675	-
	<u>\$ 4,306,179</u>	<u>4,306,179</u>	<u>5,482,933</u>	<u>1,176,754</u>	<u>-</u>

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2023**

Federal Assistance Listings				
Number	Grantor Agency	Grant Number	Program Description	Expenditures <sup>a b</sup>
N/A	TN Dept. of Transportation	82-555-0754-21	PSO and Maintenance Equipment	\$ 2,982
		82-555-0755-21	Terminal Roof Replacement	153,766
		82-555-0756-22	Airfield Painting and Rubber Removal	59,678
		82-555-0757-22	Concourse Widening D&B	31,110
		82-555-0758-22	RWY 9-27 Crack Repair - TW B1 Removal D&B	541
		82-555-0759-22	Term and Apron Energy Improvement	1,680,917
		82-555-0760-23	RWY 09/27 Pavement Rehab & TWY B1 Removal	37,925
				<u>\$ 1,966,919</u>

<sup>a</sup> This Schedule reflects the state grantor's share of the expenditures.

<sup>b</sup> There were no pass-through entities or subrecipients.

See Independent Auditors' Report.



**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0754-21  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2023**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Public Safety and Maintenance Equipment Replacement	\$ 3,139	90,509	98,500	7,991	-
	<u>\$ 3,139</u>	<u>90,509</u>	<u>98,500</u>	<u>7,991</u>	<u>-</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 2,982	85,984	93,575	7,591	-
Tri-Cities Airport Authority	157	4,525	4,925	400	-
	<u>\$ 3,139</u>	<u>90,509</u>	<u>98,500</u>	<u>7,991</u>	<u>-</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0755-21  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2023**

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<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Roof Construction	\$ 153,766	549,170	611,400	62,230	-
	<u>\$ 153,766</u>	<u>549,170</u>	<u>611,400</u>	<u>62,230</u>	<u>-</u>
<u>Share of Cost</u>					
State Grant (100%)	\$ 153,766	549,170	611,400	62,230	-
	<u>\$ 153,766</u>	<u>549,170</u>	<u>611,400</u>	<u>62,230</u>	<u>-</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0756-22  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2023**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Airfield Painting & Rubber Rehab	\$ 62,820	478,908	578,526	99,618	-
	<u>\$ 62,820</u>	<u>478,908</u>	<u>578,526</u>	<u>99,618</u>	<u>-</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 59,678	454,963	549,600	94,637	-
Tri-Cities Airport Authority	3,142	23,945	28,926	4,981	-
	<u>\$ 62,820</u>	<u>478,908</u>	<u>578,526</u>	<u>99,618</u>	<u>-</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0757-22  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2023**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Concourse Widening D&B	\$ 32,858	116,798	192,668	75,870	-
	<u>\$ 32,858</u>	<u>116,798</u>	<u>192,668</u>	<u>75,870</u>	<u>-</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 31,110	110,853	183,000	72,147	-
Tri-Cities Airport Authority	1,748	5,945	9,668	3,723	-
	<u>\$ 32,858</u>	<u>116,798</u>	<u>192,668</u>	<u>75,870</u>	<u>-</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0758-22  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2023**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway Crack Repair	\$ 569	31,679	31,700	21	-
	<u>\$ 569</u>	<u>31,679</u>	<u>31,700</u>	<u>21</u>	<u>-</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 541	30,095	30,115	20	-
Tri-Cities Airport Authority	28	1,584	1,585	1	-
	<u>\$ 569</u>	<u>31,679</u>	<u>31,700</u>	<u>21</u>	<u>-</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0759-22  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2023**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal and Apron Energy Study	\$ 1,769,386	1,950,140	2,087,787	137,647	-
	<u>\$ 1,769,386</u>	<u>1,950,140</u>	<u>2,087,787</u>	<u>137,647</u>	<u>-</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 1,680,917	1,852,633	1,983,400	130,767	-
Tri-Cities Airport Authority	88,469	97,507	104,387	6,880	-
	<u>\$ 1,769,386</u>	<u>1,950,140</u>	<u>2,087,787</u>	<u>137,647</u>	<u>-</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0760-23  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2023**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
RWY 09/27 Pavement Rehab	\$ 39,921	39,921	1,003,368	963,447	-
	<u>\$ 39,921</u>	<u>39,921</u>	<u>1,003,368</u>	<u>963,447</u>	<u>-</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 37,925	37,925	953,200	915,275	-
Tri-Cities Airport Authority	1,996	1,996	50,168	48,172	-
	<u>\$ 39,921</u>	<u>39,921</u>	<u>1,003,368</u>	<u>963,447</u>	<u>-</u>

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED,**  
**INTEREST EARNED AND RELATED EXPENDITURES**  
**For the Fiscal Year Ended June 30, 2023**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Cash Balance, July 1, 2022					\$ 835,691
Passenger Facility Charges Collected	131,237	204,134	111,310	308,498	755,179
Interest Earned	179	613	828	7,242	8,862
Expenditures on Approved PFC Projects					
Application No. 8 19-08-C-00-TRI	(91,660)	(471,889)	(27,355)	(141,919)	<u>(732,823)</u>
Cash Balance, June 30, 2023					866,909
PFC Receivable, June 30, 2023					<u>74,920</u>
Restricted PFC Funds					<u>\$ 941,829</u>

See Independent Auditors' Report.



**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
**June 30, 2023**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2022	Issued During Period	Paid and/or Matured During Period	Outstanding June 30, 2023
Aerospace Park Bonds (Taxable), Series 2018	\$ 8,500,000	3.0% to 4.5%	3/19/2018	5/1/2038	\$ 5,650,000	-	265,000	5,385,000
Total Bonds Payable					<u>\$ 5,650,000</u>	<u>-</u>	<u>265,000</u>	<u>5,385,000</u>

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -**  
**AEROSPACE PARK SERIES 2018 BONDS**  
**June 30, 2023**

Fiscal Year Ending June 30	Principal	Interest	Total Requirements
2024	\$ 275,000	188,181	463,181
2025	290,000	175,806	465,806
2026	305,000	162,756	467,756
2027	315,000	153,606	468,606
2028	325,000	143,763	468,763
2029	330,000	133,200	463,200
2030	345,000	122,475	467,475
2031	360,000	111,263	471,263
2032	370,000	99,563	469,563
2033	380,000	87,075	467,075
2034	390,000	74,250	464,250
2035	405,000	60,600	465,600
2036	415,000	46,425	461,425
2037	427,500	31,900	459,400
2038	452,500	16,312	468,812
	<u>\$ 5,385,000</u>	<u>1,607,175</u>	<u>6,992,175</u>

See Independent Auditors' Report.

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## Statistical

- Unaudited Financial and Demographic Information



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## STATISTICAL SECTION

The statistical section of the Annual Comprehensive Financial Report provides detailed information to enhance the understanding of the financial condition of the Tri-Cities Airport Authority. This statistical section is from the Authority's fiscal year 2023 Annual Comprehensive Financial Report.

### CONTENTS

#### ***Financial Trends***

These schedules contain trend information to help the reader understand how the Authority's financial performance and condition have changed over time.

#### ***Revenue Capacity***

These schedules contain information to help the reader understand the make-up of the Authority's revenue sources. The Authority presents landed weights, square footage, public safety reimbursement and other airline related revenues along with parking rates to illustrate their primary revenue sources.

#### ***Debt Capacity***

These schedules present information on the Authority's ability to meet their current debt service. The Authority did not have any long-term bond debt prior to 1995. A schedule is included for Passenger Facility Charges and Customer Facility Charges as these two restricted revenue sources are the primary source for long-term bond debt service for the Series 2014 Bonds. The Series 2018 Aerospace Park bonds are presently serviced by guaranty agreements between the Tennessee Authority Members but, long term, will be serviced by the net revenues attributable to the Aerospace Park development.

#### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to show the environment within the surrounding area of the Airport.

#### ***Operating Information***

These schedules contain service and infrastructure data to assist the reader in understanding how the Authority operates. The schedules presented include operating results, employees, capital assets, and source of funding for capital assets.

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**Tri-Cities Airport Authority**  
**TABLE 1:**  
**Net Position and Changes in Net Position**  
**Last Ten Fiscal Years (unaudited)**

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
<b>OPERATING REVENUES</b>										
Airline Revenue	\$ 2,520,231	\$ 2,315,223	\$ 2,210,564	\$ 2,313,407	\$ 2,357,305	\$ 2,351,710	\$ 2,264,730	\$ 2,170,760	\$ 2,125,806	\$ 2,082,907
General Aviation	1,110,272	915,284	760,910	776,453	807,132	800,678	819,540	791,583	789,552	821,254
Air Cargo	122,049	115,391	108,923	106,821	105,562	105,794	97,491	96,478	129,127	75,433
Parking Revenue	2,522,006	2,019,387	1,078,384	1,971,693	2,464,447	2,295,505	2,121,611	2,073,285	2,098,296	1,895,843
Rental Car Revenue	1,690,209	1,486,319	1,101,493	1,080,098	995,250	1,003,119	973,619	953,139	928,893	895,804
Terminal Concessions	226,207	159,359	92,200	144,322	145,832	115,086	113,867	111,062	108,373	111,451
Terminal Space Rents	111,600	116,984	114,781	119,770	117,738	125,056	124,689	120,991	115,334	106,231
Other Revenues	390,246	412,555	306,568	267,681	275,633	280,670	290,515	276,434	287,898	292,089
<b>TOTAL OPERATING REVENUES</b>	<u>\$ 8,692,820</u>	<u>\$ 7,540,502</u>	<u>\$ 5,773,823</u>	<u>\$ 6,780,245</u>	<u>\$ 7,268,899</u>	<u>\$ 7,077,618</u>	<u>\$ 6,806,062</u>	<u>\$ 6,593,732</u>	<u>\$ 6,583,279</u>	<u>\$ 6,281,012</u>
<b>OPERATING EXPENSES</b>										
Aviation Area	\$ 351,171	\$ 308,550	\$ 312,962	\$ 332,368	\$ 324,571	\$ 269,066	\$ 259,177	\$ 279,083	\$ 241,207	\$ 189,219
Terminal Area	1,062,050	967,377	814,400	885,630	828,699	746,767	722,508	679,005	711,606	675,326
Air Cargo Center	25,366	27,769	16,608	21,514	27,493	26,775	24,737	21,322	38,242	32,185
Other Properties	22,970	31,599	11,979	21,522	21,560	20,937	25,149	13,841	16,996	14,986
General Area - Public Safety	1,316,817	1,409,805	1,420,695	1,446,087	1,199,891	1,330,196	1,277,912	1,176,088	1,179,619	1,178,026
General Area - Maintenance	771,342	781,374	738,570	759,890	795,288	773,562	785,025	721,190	665,172	734,113
General Area - Janitorial	503,714	470,118	424,320	458,044	427,578	428,698	420,171	397,841	385,419	398,055
General Area - Airport Services	62,083	47,321	36,474	31,581	35,895	50,748	75,868	73,253	64,697	75,290
Marketing	722,719	731,870	559,593	611,863	578,108	543,703	532,549	529,902	553,694	515,672
Administrative	1,664,003	1,439,590	1,437,929	1,619,291	1,490,507	1,331,920	1,416,433	1,376,531	1,207,736	1,236,986
Air Cargo and Trade Development	170,295	138,904	147,789	151,460	127,258	122,018	126,838	123,108	123,888	117,501
Parking	429,032	388,606	332,914	390,928	381,800	365,167	350,146	416,953	336,656	337,372
Engineering	-	-	-	-	2,668	5,968	70,794	50,736	51,124	48,742
Business Development	-	1,410	3,301	2,284	6,878	11,388	18,919	32,206	45,365	-
RAC Service Facility	94,547	57,391	69,628	72,963	74,308	114,940	81,421	76,268	82,562	69,349
Ground Handling Services	205,787	153,071	155,348	157,427	150,109	162,931	155,480	156,373	141,670	181,772
Aerospace Park	88,512	174,684	106,695	87,423	158,184	156,075	87,309	53,581	-	-
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 7,490,408</u>	<u>\$ 7,129,439</u>	<u>\$ 6,589,205</u>	<u>\$ 7,050,275</u>	<u>\$ 6,630,795</u>	<u>\$ 6,460,859</u>	<u>\$ 6,430,436</u>	<u>\$ 6,177,281</u>	<u>\$ 5,845,653</u>	<u>\$ 5,804,594</u>
<b>OPERATING INCOME BEFORE DEPRECIATION &amp; AMORTIZATION</b>	\$ 1,202,412	\$ 411,063	\$ (815,382)	\$ (270,030)	\$ 638,104	\$ 616,759	\$ 375,626	\$ 416,451	\$ 737,626	\$ 476,418
LESS: DEPRECIATION	6,180,260	6,265,958	6,214,832	6,029,869	5,777,442	5,744,739	5,451,093	4,827,993	4,033,759	3,643,867
<b>OPERATING LOSS</b>	<u>\$ (4,977,848)</u>	<u>\$ (5,854,895)</u>	<u>\$ (7,030,214)</u>	<u>\$ (6,299,899)</u>	<u>\$ (5,139,338)</u>	<u>\$ (5,127,980)</u>	<u>\$ (5,075,467)</u>	<u>\$ (4,411,542)</u>	<u>\$ (3,296,133)</u>	<u>\$ (3,167,449)</u>
<b>OTHER NON-OPERATING REVENUES (EXPENSES)</b>	<u>5,817,573</u>	<u>7,128,570</u>	<u>3,185,135</u>	<u>884,404</u>	<u>1,108,946</u>	<u>913,910</u>	<u>1,172,161</u>	<u>1,225,176</u>	<u>1,240,893</u>	<u>967,567</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>\$ 839,725</u>	<u>\$ 1,273,675</u>	<u>\$ (3,845,079)</u>	<u>\$ (5,415,495)</u>	<u>\$ (4,030,392)</u>	<u>\$ (4,214,070)</u>	<u>\$ (3,903,306)</u>	<u>\$ (3,186,366)</u>	<u>\$ (2,055,240)</u>	<u>\$ (2,199,882)</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>6,651,884</u>	<u>6,690,017</u>	<u>5,527,476</u>	<u>6,278,249</u>	<u>6,183,985</u>	<u>2,538,212</u>	<u>2,710,960</u>	<u>6,495,422</u>	<u>3,541,492</u>	<u>18,148,327</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 7,491,609</u>	<u>\$ 7,963,692</u>	<u>\$ 1,682,397</u>	<u>\$ 862,754</u>	<u>\$ 2,153,593</u>	<u>\$ (1,675,858)</u>	<u>\$ (1,192,346)</u>	<u>\$ 3,309,056</u>	<u>\$ 1,486,252</u>	<u>\$ 15,948,445</u>
<b>NET POSITION AT FISCAL YEAR-END</b>										
NET INVESTMENT IN CAPITAL ASSETS	\$ 90,102,517	\$ 87,583,111	\$ 86,161,374	\$ 85,802,425	\$ 86,093,635	\$ 83,405,569	\$ 85,937,154	\$ 84,797,286	\$ 82,726,596	\$ 81,727,565
RESTRICTED - PASSENGER FACILITY CHARGE AND CUSTOMER FACILITY CHARGE	1,359,646	978,557	1,017,147	1,311,266	2,124,103	1,215,704	806,721	1,711,168	1,445,301	796,617
UNRESTRICTED	17,548,328	12,957,214	6,376,669	4,779,869	2,813,068	4,255,939	3,809,195	5,236,962	4,264,463	5,540,500
<b>TOTAL NET POSITION</b>	<u>\$109,010,491</u>	<u>\$101,518,882</u>	<u>\$93,555,190</u>	<u>\$ 91,893,560</u>	<u>\$ 91,030,806</u>	<u>\$ 88,877,212</u>	<u>\$ 90,553,070</u>	<u>\$ 91,745,416</u>	<u>\$ 88,436,360</u>	<u>\$ 88,064,682</u>

Source: Audited Financial Statements

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 2:**  
**Changes in Cash and Cash Equivalents**  
**Last Ten Fiscal Years (unaudited)**

	<b>FY 2023</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
<b>Cash Flows From Operating Activities</b>										
Cash received from customers	\$ 8,768,881	\$ 7,696,269	\$ 5,597,241	\$ 6,908,194	\$ 7,181,816	\$ 7,212,063	\$ 6,737,840	\$ 6,590,512	\$ 6,610,322	\$ 6,239,332
Cash payments to suppliers	(3,135,933)	(3,099,642)	(2,037,646)	(2,871,055)	(2,741,911)	(2,558,934)	(2,803,074)	(2,003,965)	(1,988,129)	(2,154,637)
Cash payments to employees	(3,255,335)	(2,916,751)	(2,778,126)	(2,704,803)	(2,570,663)	(2,564,739)	(2,621,256)	(2,483,848)	(2,343,239)	(2,366,329)
Cash paid out for employee benefits	(1,262,919)	(1,399,771)	(1,206,387)	(1,158,506)	(1,104,698)	(1,171,063)	(1,231,714)	(1,158,765)	(1,123,256)	(1,075,840)
Cash payments for insurance	(272,163)	(267,237)	(229,364)	(231,942)	(313,828)	(282,784)	(246,781)	(341,623)	(243,285)	(175,654)
Net Cash Provided by (Used for) Operating Activities	<u>842,531</u>	<u>12,868</u>	<u>(654,282)</u>	<u>(58,112)</u>	<u>450,716</u>	<u>634,543</u>	<u>(164,985)</u>	<u>602,311</u>	<u>912,413</u>	<u>466,872</u>
<b>Cash Flows From Capital and Related Financing Activities</b>										
Acquisition and Construction of Capital Assets	(8,427,793)	(7,160,760)	(7,079,865)	(9,688,819)	(7,049,876)	(2,887,324)	(6,335,963)	(6,747,201)	(5,114,219)	(18,737,335)
Proceeds from Sale of Assets	1,036	1,692	2,074	-	(4,736)	19,316	5,181	8,329	10,971	8,697
Proceeds from Sale of Land to State of Tennessee	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions received	4,587,078	8,022,751	4,332,568	6,010,290	5,175,091	1,707,753	5,104,605	5,773,984	3,176,402	19,055,924
PFC Funds Received	832,948	812,130	388,999	817,347	843,718	786,320	802,454	878,698	887,659	840,975
CFC Funds Received	341,259	315,207	218,579	360,286	423,129	345,088	402,200	416,225	374,882	341,898
Interest Paid	(200,131)	(291,973)	(319,666)	(338,680)	(387,688)	(52,169)	(59,868)	(66,067)	(86,042)	(182,939)
Cost of Issuing Debt	-	-	-	-	-	(110,526)	-	-	-	(73,202)
Bond Proceeds	-	-	-	-	-	8,500,000	-	-	-	-
Principal paid on long-term debt	(265,000)	(2,715,475)	(665,000)	(640,000)	(590,000)	(320,000)	(310,000)	(310,000)	(290,000)	(1,375,000)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(3,130,603)</u>	<u>(1,016,428)</u>	<u>(3,122,311)</u>	<u>(3,479,576)</u>	<u>(1,590,362)</u>	<u>7,988,458</u>	<u>(391,391)</u>	<u>(46,032)</u>	<u>(1,040,347)</u>	<u>(120,982)</u>
<b>Cash Flows From NonCapital and Related Financing Activities</b>										
Cares Act Funds Received	4,429,830	7,226,619	2,542,327	-	-	-	-	-	-	-
Net Cash Provided by (Used for) NonCapital and Related Financing Activities	<u>4,429,830</u>	<u>7,226,619</u>	<u>2,542,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows From Investing Activities</b>										
Purchase of Investments	-	-	-	(196,233)	(242,069)	(15,260)	(19,487)	(9,258)	(641,301)	(17,793)
Sales of Investments	-	-	2,875,901	-	-	10,003	317,706	-	-	-
Interest Received	92,730	6,415	54,877	153,045	208,845	49,215	14,145	13,068	18,237	21,284
Net Cash Provided By (Used for) Investing Activities	<u>92,730</u>	<u>6,415</u>	<u>2,930,778</u>	<u>(43,188)</u>	<u>(33,224)</u>	<u>43,958</u>	<u>312,364</u>	<u>3,810</u>	<u>(623,064)</u>	<u>3,491</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>2,234,488</u>	<u>6,229,474</u>	<u>1,696,512</u>	<u>(3,580,876)</u>	<u>(1,172,870)</u>	<u>8,666,959</u>	<u>(244,012)</u>	<u>560,089</u>	<u>(750,998)</u>	<u>349,381</u>
<b>Cash and Cash Equivalents at Beginning of Fiscal Year</b>	<u>15,057,125</u>	<u>8,827,651</u>	<u>7,131,139</u>	<u>10,712,015</u>	<u>11,884,885</u>	<u>3,217,926</u>	<u>3,461,938</u>	<u>2,901,849</u>	<u>3,652,847</u>	<u>3,303,466</u>
<b>Cash and Cash Equivalents at End of Fiscal Year</b>	<u>\$ 17,291,613</u>	<u>\$ 15,057,125</u>	<u>\$ 8,827,651</u>	<u>\$ 7,131,139</u>	<u>\$ 10,712,015</u>	<u>\$ 11,884,885</u>	<u>\$ 3,217,926</u>	<u>\$ 3,461,938</u>	<u>\$ 2,901,849</u>	<u>\$ 3,652,847</u>

Source: Audited Financial Statements

See Independent Auditors' Report.



**Tri-Cities Airport Authority**  
**TABLE 3:**  
**Restricted Assets**  
**Last Ten Fiscal Years (unaudited)**

<u>Fiscal Year</u>	<u>Bond Funds</u>	<u>Bond Escrow</u>	<u>Construction Deposits and Retainage Escrows</u>	<u>PFC Funds</u>	<u>CFC Funds</u>	<u>RESTRICTED ASSETS TOTAL</u>
2023	\$ 2,182,098	\$ 35,979	\$ -	\$ 866,909	\$ 417,817	\$ 3,502,803
2022	\$ 2,179,081	\$ 35,979	\$ -	\$ 835,691	\$ 75,161	\$ 3,125,912
2021	\$ 3,176,735	\$ 407,030	\$ -	\$ 653,995	\$ 301,276	\$ 4,539,036
2020	\$ 4,297,590	\$ 406,315	\$ -	\$ 545,522	\$ 735,128	\$ 5,984,555
2019	\$ 7,231,698	\$ 400,112	\$ -	\$ 1,294,419	\$ 678,013	\$ 9,604,242
2018	\$ 8,419,165	\$ 391,348	\$ 225,165	\$ 675,829	\$ 539,875	\$ 10,251,382
2017	\$ -	\$ 386,315	\$ 260,708	\$ 419,604	\$ 387,117	\$ 1,453,744
2016	\$ -	\$ 384,330	\$ 191,035	\$ 1,468,996	\$ 339,127	\$ 2,383,488
2015	\$ -	\$ 383,434	\$ 328,381	\$ 1,027,499	\$ 197,426	\$ 1,936,740
2014	\$ -	\$ 383,010	\$ 725,899	\$ 796,617	\$ 311,138	\$ 2,216,664

Note: The above schedule reflects all cash and cash equivalents for which external restrictions apply relative to the use of the specified funds. Financial reporting considerations require that the bond funds balances offset related debt in the calculation of Net Investment in Capital Assets; therefore, financial statement presentation may differ.

Source: Audited Financial Statements

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 4:**  
**Principal Revenue Sources and Revenue Per Enplaned Passenger**  
**Last Ten Fiscal Years (unaudited)**

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
<b>Airline Revenues:</b>										
Landing Fees	\$ 667,540	\$ 551,256	\$ 457,357	\$ 614,605	\$ 672,938	\$ 659,770	\$ 628,126	\$ 572,808	\$ 560,114	\$ 547,043
Terminal Rents	893,527	830,233	834,550	877,864	876,593	874,337	864,845	842,998	820,622	820,633
Security Reimbursements	823,889	788,508	786,952	673,219	656,614	664,005	624,384	620,879	603,625	576,525
Jetway Fees	42,642	37,242	32,266	38,844	25,542	16,218	17,730	10,455	15,750	8,790
Other	92,632	107,984	99,439	108,875	125,618	137,380	129,645	123,620	125,695	129,916
<b>Total Airline Revenue</b>	<b>\$ 2,520,231</b>	<b>\$ 2,315,223</b>	<b>\$ 2,210,564</b>	<b>\$ 2,313,407</b>	<b>\$ 2,357,305</b>	<b>\$ 2,351,710</b>	<b>\$ 2,264,730</b>	<b>\$ 2,170,760</b>	<b>\$ 2,125,806</b>	<b>\$ 2,082,907</b>
<i>Percent of Total Operating Revenues</i>	29.0%	30.7%	38.3%	34.1%	32.4%	33.2%	33.3%	32.9%	32.3%	33.2%
<b>Non-Airline Revenues</b>										
Parking	\$ 2,522,006	\$ 2,019,387	\$ 1,078,384	\$ 1,971,693	\$ 2,464,447	\$ 2,295,505	\$ 2,121,611	\$ 2,073,285	\$ 2,098,296	\$ 1,895,843
<i>Percent of Total Operating Revenues</i>	29%	27%	19%	29%	34%	32%	31%	31%	32%	30%
Rental Car	1,690,209	1,486,319	1,101,493	1,080,098	995,250	1,003,119	973,619	953,139	928,893	895,804
Other	1,960,374	1,719,573	1,383,382	1,415,047	1,451,897	1,427,284	1,446,102	1,396,548	1,430,284	1,406,458
<b>Total Non-Airline Revenues</b>	<b>\$ 6,172,589</b>	<b>\$ 5,225,279</b>	<b>\$ 3,563,259</b>	<b>\$ 4,466,838</b>	<b>\$ 4,911,594</b>	<b>\$ 4,725,908</b>	<b>\$ 4,541,332</b>	<b>\$ 4,422,972</b>	<b>\$ 4,457,473</b>	<b>\$ 4,198,105</b>
<i>Percent of Total Operating Revenues</i>	71.0%	69.3%	61.7%	65.9%	67.6%	66.8%	66.7%	67.1%	67.7%	66.8%
<b>Total Operating Revenues</b>	<b>\$ 8,692,820</b>	<b>\$ 7,540,502</b>	<b>\$ 5,773,823</b>	<b>\$ 6,780,245</b>	<b>\$ 7,268,899</b>	<b>\$ 7,077,618</b>	<b>\$ 6,806,062</b>	<b>\$ 6,593,732</b>	<b>\$ 6,583,279</b>	<b>\$ 6,281,012</b>
<i>Percent of Total Revenues</i>	59.1%	50.4%	62.4%	84.8%	83.1%	85.2%	84.7%	83.7%	83.4%	83.3%
<b>Nonoperating Revenues</b>										
Passenger Facility Charges	\$ 840,163	\$ 817,959	\$ 420,258	\$ 696,293	\$ 846,989	\$ 813,207	\$ 806,322	\$ 846,289	\$ 908,049	\$ 883,130
Customer Facility Charges	341,259	315,207	218,579	360,286	423,129	345,088	402,200	416,225	374,882	341,898
Interest Income	92,730	6,415	54,877	153,045	208,845	49,215	14,145	13,068	18,237	21,284
Sale of Land to State of Tennessee	-	-	-	-	-	-	-	-	-	-
Federal Grants - Coronavirus Relief Funds	4,738,660	6,269,668	2,780,809	-	-	-	-	-	-	-
Proceeds on Sale of Assets	1,036	1,691	2,074	5,092	(4,736)	19,316	5,181	8,329	10,971	8,697
<b>Total Nonoperating Revenues</b>	<b>\$ 6,013,848</b>	<b>\$ 7,410,940</b>	<b>\$ 3,476,597</b>	<b>\$ 1,214,716</b>	<b>\$ 1,474,227</b>	<b>\$ 1,226,826</b>	<b>\$ 1,227,848</b>	<b>\$ 1,283,911</b>	<b>\$ 1,312,139</b>	<b>\$ 1,255,009</b>
<i>Percent of Total Revenues</i>	40.9%	49.6%	37.6%	15.2%	16.9%	14.8%	15.3%	16.3%	16.6%	16.7%
<b>Total Revenues</b>	<b>\$ 14,706,668</b>	<b>\$ 14,951,442</b>	<b>\$ 9,250,420</b>	<b>\$ 7,994,961</b>	<b>\$ 8,743,126</b>	<b>\$ 8,304,444</b>	<b>\$ 8,033,910</b>	<b>\$ 7,877,643</b>	<b>\$ 7,895,418</b>	<b>\$ 7,536,021</b>
Enplaned Passengers (excluding charters)	211,907	185,842	112,585	172,492	211,406	199,399	202,665	213,500	220,184	202,935
Airline Revenue Per enplaned passenger	\$ 11.89	\$ 12.46	\$ 19.63	\$ 13.41	\$ 11.15	\$ 11.79	\$ 11.17	\$ 10.17	\$ 9.65	\$ 10.26
Parking Revenue per enplaned passenger	\$ 11.90	\$ 10.87	\$ 9.58	\$ 11.43	\$ 11.66	\$ 11.51	\$ 10.47	\$ 9.71	\$ 9.53	\$ 9.34
<b>Total Revenue Per enplaned passenger</b>	<b>\$ 69.40</b>	<b>\$ 80.45</b>	<b>\$ 82.16</b>	<b>\$ 46.35</b>	<b>\$ 41.36</b>	<b>\$ 41.65</b>	<b>\$ 39.64</b>	<b>\$ 36.90</b>	<b>\$ 35.86</b>	<b>\$ 37.14</b>

Source: Audited Financial Statements and  
Tri-Cities Airport Authority Activity Reports

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 5:**  
**Revenue Rates**  
**Last Ten Fiscal Years (unaudited)**

	SIGNATORY AIRLINE RATES AND CHARGES									
	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Landing Fees (per 1,000 lbs. MGLW)	\$ 2.60	\$ 2.47	\$ 2.47	\$ 2.60	\$ 2.65	\$ 2.53	\$ 2.49	\$ 2.32	\$ 2.25	\$ 2.25
Terminal Rental Rates (per square foot)	\$ 36.30	\$ 34.49	\$ 34.49	\$ 36.30	\$ 36.21	\$ 36.10	\$ 35.73	\$ 34.85	\$ 33.92	\$ 33.92
Terminal Aircraft Parking Apron Fee, per turn	\$ 10.80	\$ 10.26	\$ 10.26	\$ 10.80	\$ 12.09	\$ 11.42	\$ 11.18	\$ 11.07	\$ 11.93	\$ 10.77
Jetway Use Fee (per use)	\$ 18.00	\$ 18.00	\$ 17.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 15.00	\$ 15.00	\$ 15.00
Annual Security Reimbursement *	\$ 823,885	\$ 790,066	\$ 786,952	\$ 673,221	\$ 656,614	\$ 660,441	\$ 624,384	\$ 620,879	\$ 603,625	\$ 576,525

\* Security Reimbursement is set at fifty percent of the annual Public Safety operating budget.

	PARKING RATES									
	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Long-Term Parking - Daily **	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00
	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min
Short-Term Parking - Daily	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00
- Incremental	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min

\*\* - \$1.00 per hour after the first day up to the full day rate.

Source: Tri-Cities Airport Authority Lease Data

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 6:**  
**Enplaned Passengers**  
**Last Ten Fiscal Years (unaudited)**

<b>Airline</b>	<b>FY 2023</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
Allegiant Air	25,004	19,485	13,353	16,306	21,535	24,989	25,010	26,018	27,713	30,044
US Airways Express (Air Wisconsin)	-	-	-	-	-	-	-	-	7	3,818
American Airlines (Mesa Jet)	4,273	-	-	-	-	-	-	-	-	660
Sky West	29,596	-	17,116	-	-	-	-	-	-	-
American (Envoy)	10,320	-	-	-	-	-	-	-	-	-
American (Sky West)	14,880	-	-	-	-	-	-	-	-	-
American (US Airways-Piedmont)	35,594	35,784	36,022	71,904	49,673	39,413	54,527	58,111	44,305	45,317
American (US Airways-PSA Airlines)	40,113	24,433	4,228	9,262	17,827	20,378	9,503	7,792	25,364	16,732
DELTA (XJT Express Jet)	51,101	106,140	41,866	75,020	122,371	114,619	113,625	121,579	122,795	106,364
Sub-Total Air Carriers	210,881	185,842	112,585	172,492	211,406	199,399	202,665	213,500	220,184	202,935
Charters	1,026	730	747	889	1,477	1,119	682	913	1,008	1,995
Total	211,907	186,572	113,332	173,381	212,883	200,518	203,347	214,413	221,192	204,930

Source: Tri-Cities Airport Authority Traffic Reports.

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 7**  
**Landed Weights - Air Carriers and Cargo (000's Omitted)**  
**Last Ten Fiscal Years (unaudited)**

<u>Air Carriers</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Air Wisconsin	-	-	-	-	-	47	47	94	188	5,264
Allegiant Airlines	25,803	20,189	19,717	18,357	22,144	26,254	27,688	26,739	26,861	28,653
Mesa Jet	5,068	-	-	-	-	-	-	-	74	809
American (Envoy)	14,760	-	-	-	-	-	-	-	-	-
American (Piedmont)	40,944	39,023	72,152	81,840	55,690	47,717	62,394	62,081	46,512	52,157
American (PSA Airlines)	54,845	31,449	6,454	13,888	23,787	29,935	15,248	12,219	29,898	21,572
American (Sky West)	19,363	-	-	-	-	-	-	-	-	-
Sky West Airlines	36,745	-	-	-	-	-	-	-	-	-
Delta	59,218	132,511	86,808	122,317	152,318	156,826	147,139	145,399	145,411	134,675
Subtotal	256,745	223,172	185,131	236,402	253,939	260,779	252,516	246,532	248,944	243,130
Charters	3,456	2,882	3,834	3,034	3,961	2,595	2,254	2,451	2,459	5,059
Total Air Carriers	260,201	226,054	188,965	239,436	257,900	263,374	254,770	248,983	251,403	248,189
<u>Cargo Carriers</u>										
AmeriFlight	26	-	-	-	-	-	-	-	-	-
Ascent	29	-	-	-	-	-	-	-	-	-
Air Charter	26	-	-	-	-	-	-	-	-	-
Quest Diagnostic	1,224	1,224	1,224	1,020	1,224	1,224	1,290	1,296	756	-
Berry Aviation	-	-	-	-	-	27	-	25	-	16
IFL	-	-	57	-	-	29	-	-	-	80
Royal Air Freight	-	-	-	-	31	28	-	-	40	27
Solstas	-	-	-	-	-	-	-	-	510	1,224
Ruslan	-	-	-	-	-	-	-	-	1,728	-
Other	29	-	169	327	381	1,421	209	25	735	245
Total Cargo Carriers	1,333	1,224	1,450	1,347	1,636	2,729	1,499	1,346	3,769	1,592
<b>TOTAL LANDED WEIGHTS</b>	<b>261,534</b>	<b>227,278</b>	<b>190,415</b>	<b>240,783</b>	<b>259,536</b>	<b>266,103</b>	<b>256,269</b>	<b>250,329</b>	<b>255,172</b>	<b>249,781</b>

Source: Tri-Cities Airport Activity Reports

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 8:**  
**Aircraft Movements Summary (Takeoff and Landing)**  
**Last Ten Fiscal Years (unaudited)**

<b>Fiscal Year</b>	<b>Air Carrier</b>	<b>Charters</b>	<b>Cargo Carriers</b>	<b>General Aviation</b>	<b>Air Taxi</b>	<b>Military</b>	<b>Total</b>
<b>2023</b>	7,768	48	488	32,699	1,857	2,663	45,523
<b>2022</b>	7,734	40	480	37,753	2,187	3,819	52,013
<b>2021</b>	6,191	48	490	30,506	2,599	5,712	45,546
<b>2020</b>	7,920	44	404	19,001	1,880	3,854	33,103
<b>2019</b>	8,014	54	500	20,713	2,459	3,338	35,078
<b>2018</b>	8,093	60	532	23,724	2,977	3,217	38,603
<b>2017</b>	8,480	40	494	27,695	2,789	3,455	42,953
<b>2016</b>	8,280	68	488	31,979	3,132	2,327	46,274
<b>2015</b>	8,206	54	524	35,195	2,683	955	47,617
<b>2014</b>	8,998	189	494	33,683	2,630	488	46,482

Source: Air Traffic Reports

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 9:**  
**Air Cargo, Freight and Mail**  
**Last Ten Fiscal Years (unaudited)**  
**(amounts expressed in pounds)**

<u>Fiscal</u> <u>Year</u>	<u>Air</u> <u>Carriers</u>	<u>Cargo</u> <u>Carriers</u>	<u>Sub-total</u>	<u>Mail</u>	<u>Total</u>
2023	2,704	35,605	38,309	-	38,309
2022	1,676	-	1,676	-	1,676
2021	3,689	5,139	8,828	-	8,828
2020	43,992	8,000	51,992	1,810	53,802
2019	32,625	52,229	84,854	1,218	86,072
2018	51,017	99,423	150,440	8	150,448
2017	35,122	7,830	42,952	424	43,376
2016	35,774	3,496	39,270	846	40,116
2015	67,630	33,150	100,780	14	100,794
2014	52,449	21,698	74,147	649	74,796

Source: Air Traffic Reports

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 10:**  
**Debt Service Coverage**  
**Last Ten Fiscal Years (unaudited)**

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Operating Revenues	\$ 8,692,820	7,540,502	5,773,823	6,780,245	7,268,899	7,077,618	6,806,062	6,583,732	6,583,279	6,281,012
Operating Expenses	<u>7,490,408</u>	<u>7,129,439</u>	<u>6,589,205</u>	<u>7,050,275</u>	<u>6,630,795</u>	<u>6,460,859</u>	<u>6,430,436</u>	<u>6,177,281</u>	<u>5,845,353</u>	<u>5,804,594</u>
Operating Income Before Adjustments	1,202,412	411,063	(815,382)	(270,030)	638,104	616,759	375,626	406,451	737,926	476,418
Other Income	<u>6,013,848</u>	<u>7,410,940</u>	<u>3,476,697</u>	<u>884,404</u>	<u>1,108,947</u>	<u>913,910</u>	<u>1,172,161</u>	<u>1,225,176</u>	<u>1,240,893</u>	<u>1,255,009</u>
Net Revenues	<u>\$ 7,216,260</u>	<u>7,822,003</u>	<u>2,661,315</u>	<u>614,374</u>	<u>1,747,051</u>	<u>1,530,669</u>	<u>1,547,787</u>	<u>1,631,627</u>	<u>1,978,819</u>	<u>1,731,427</u>
Debt Service on airport revenue bonds										
Principal	-	360,000	350,000	335,000	330,000	320,000	310,000	310,000	290,000	1,375,000
Interest	-	<u>23,010</u>	<u>32,460</u>	<u>40,668</u>	<u>47,268</u>	<u>53,668</u>	<u>59,868</u>	<u>66,150</u>	<u>86,042</u>	<u>287,442</u>
Debt Service	-	<u>383,010</u>	<u>382,460</u>	<u>375,668</u>	<u>377,268</u>	<u>373,668</u>	<u>369,868</u>	<u>376,150</u>	<u>376,042</u>	<u>1,662,442</u>
Debt Service on Aerospace Park bonds - Series 2018										
Principal	265,000	255,000	315,000	305,000	260,000	-	-	-	-	-
Interest	<u>200,106</u>	<u>242,306</u>	<u>287,206</u>	<u>300,931</u>	<u>340,421</u>	-	-	-	-	-
Debt Service	<u>465,106</u>	<u>497,306</u>	<u>602,206</u>	<u>605,931</u>	<u>600,421</u>	-	-	-	-	-
Total Debt Service	<u>\$ 465,106</u>	<u>880,316</u>	<u>984,666</u>	<u>981,599</u>	<u>977,689</u>	<u>373,668</u>	<u>369,868</u>	<u>376,150</u>	<u>376,042</u>	<u>1,662,442</u>
Coverage ratio * (Revenues/Debt Service)	15.52	8.89	2.70	0.63	1.79	4.10	4.18	4.34	5.26	1.04
* Does not include amounts held in bond reserves	\$ 35,979	35,979	407,030	406,315	400,112	391,348	386,315	384,330	383,434	383,010

Source: Tri-Cities Airport Authority Activity Reports

See Independent Auditors' Report.



**Tri-Cities Airport Authority**  
**TABLE 11:**  
**Ratios of Outstanding Debt and Debt Service**  
**Last Ten Fiscal Years (unaudited)**

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
<b>Outstanding Debt Per Enplaned Passenger</b>										
Outstanding Debt:										
Airport Revenue Bonds	\$ -	-	730,000	1,080,000	1,415,000	1,745,000	2,065,000	2,375,000	2,685,000	2,975,000
Aerospace Park Bonds	5,385,000	5,650,000	7,620,000	7,935,000	8,240,000	8,500,000	-	-	-	-
Plus: Premium	56,869	60,725	70,886	77,894	84,902	91,910	18,915	22,068	25,220	28,373
Outstanding Debt:	<u>\$ 5,441,869</u>	<u>5,710,725</u>	<u>8,420,886</u>	<u>9,092,894</u>	<u>9,739,902</u>	<u>10,336,910</u>	<u>2,083,915</u>	<u>2,397,068</u>	<u>2,710,220</u>	<u>3,003,373</u>
Enplaned Passengers	<u>211,907</u>	<u>186,572</u>	<u>113,332</u>	<u>173,381</u>	<u>212,883</u>	<u>200,518</u>	<u>203,347</u>	<u>214,413</u>	<u>221,192</u>	<u>204,930</u>
Outstanding Debt Per Enplaned Passenger	<u>\$ 26</u>	<u>31</u>	<u>74</u>	<u>52</u>	<u>46</u>	<u>52</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>15</u>
<b>Debt Service</b>										
Principal	\$ 265,000	255,000	665,000	640,000	590,000	320,000	310,000	310,000	290,000	1,375,000
Interest	200,106	242,306	319,666	341,599	387,689	53,668	59,868	66,068	86,042	287,442
<b>Total Debt Service</b>	<u>465,106</u>	<u>497,306</u>	<u>984,666</u>	<u>981,599</u>	<u>977,689</u>	<u>373,668</u>	<u>369,868</u>	<u>376,068</u>	<u>376,042</u>	<u>1,662,442</u>
Operating expenses	7,490,408	7,129,439	6,589,205	7,050,275	6,630,795	6,460,859	6,430,436	6,177,281	5,845,353	5,804,594
<b>Total</b>	<u>\$ 7,955,514</u>	<u>7,626,745</u>	<u>7,573,871</u>	<u>8,031,874</u>	<u>7,608,484</u>	<u>6,834,527</u>	<u>6,800,304</u>	<u>6,553,349</u>	<u>6,221,395</u>	<u>7,467,036</u>
Ratio of debt service to Total Expenses	<u>5.8%</u>	<u>6.5%</u>	<u>13.0%</u>	<u>12.2%</u>	<u>12.8%</u>	<u>5.5%</u>	<u>5.4%</u>	<u>5.7%</u>	<u>6.0%</u>	<u>22.3%</u>
Debt Service per Enplaned Passenger	<u>\$ 2.19</u>	<u>2.67</u>	<u>8.69</u>	<u>5.66</u>	<u>4.59</u>	<u>1.86</u>	<u>1.82</u>	<u>1.75</u>	<u>1.70</u>	<u>8.11</u>

Source: Audited Financial Statements

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 12:**  
**Passenger Facility Charges**  
**Last Ten Fiscal Years (unaudited)**

<b>Airline</b>	<b>FY 2023</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
Allegiant Air	\$ 110,388	\$ 104,337	\$ 60,050	\$ 55,596	\$ 101,988	\$ 127,851	\$ 113,846	\$ 115,518	\$ 114,359	\$ 147,833
Delta	306,401	291,333	154,185	324,338	468,936	439,216	430,933	453,855	462,483	442,349
US Airways	-	-	-	-	-	-	-	109,488	307,244	256,055
American	405,552	410,473	200,835	280,381	264,933	236,682	254,296	159,249	10,727	9,207
United	561	653	161	438	639	601	1,343	1,423	-	-
Other	10,046	10,827	3,685	31,918	10,393	8,857	5,904	6,756	13,236	27,686
<b>Total PFC Revenue</b>	<b>\$ 832,948</b>	<b>\$ 817,623</b>	<b>\$ 418,916</b>	<b>\$ 692,671</b>	<b>\$ 846,889</b>	<b>\$ 813,207</b>	<b>\$ 806,322</b>	<b>\$ 846,289</b>	<b>\$ 908,049</b>	<b>\$ 883,130</b>
Interest Earned	7,215	336	1,342	3,622	5,245	574	652	3,260	2,503	2,550
<b>Total PFC Related Revenue</b>	<b>\$ 840,163</b>	<b>\$ 817,959</b>	<b>\$ 420,258</b>	<b>\$ 696,293</b>	<b>\$ 852,134</b>	<b>\$ 813,781</b>	<b>\$ 806,974</b>	<b>\$ 849,549</b>	<b>\$ 910,552</b>	<b>\$ 885,680</b>

<b>Enplaned Passengers - Air Carriers</b>	<b>210,881</b>	<b>185,842</b>	<b>112,585</b>	<b>172,492</b>	<b>211,406</b>	<b>199,399</b>	<b>202,665</b>	<b>213,500</b>	<b>220,184</b>	<b>202,935</b>
<b>% of Passengers</b>	<b>90.0%</b>	<b>100.2%</b>	<b>84.8%</b>	<b>91.5%</b>	<b>91.3%</b>	<b>92.9%</b>	<b>90.6%</b>	<b>90.3%</b>	<b>93.9%</b>	<b>99.1%</b>

Source: PFC Quarterly Reports

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 13:**  
**Customer Facility Charges**  
**Last Ten Fiscal Years (unaudited)**

<b>Rental Car</b>	<b>FY 2023</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
Alamo	\$ 18,197	\$ 14,364	\$ 16,590	\$ 30,679	\$ 35,510	\$ 30,923	\$ 41,847	\$ 41,231	\$ 37,084	\$ 28,644
Avis	78,536	85,104	39,203	47,606	58,812	50,977	51,668	61,698	61,952	60,917
Budget	52,834	53,577	32,024	54,512	68,084	52,839	69,802	64,118	61,762	58,490
Dollar	4,891	2,142	2,624	6,568	5,718	6,697	12,336	11,609	1,711	-
Enterprise	55,312	47,853	43,127	70,825	81,241	62,630	66,246	61,041	54,281	51,854
Hertz	42,900	36,126	36,252	56,823	69,221	54,400	63,601	72,118	61,770	52,068
National	77,848	70,452	41,580	79,305	92,285	76,081	84,686	93,707	94,126	89,925
Thrifty	10,741	5,589	7,179	13,968	12,258	10,541	12,014	10,703	2,196	-
Total CFC Revenue	\$ 341,259	\$ 315,207	\$ 218,579	\$ 360,285	\$ 423,128	\$ 345,088	\$ 402,200	\$ 416,225	\$ 374,882	\$ 341,898
Interest Earned	3,998	54	607	1,906	2,574	1,328	1,086	852	966	782
Total CFC Related Revenue	\$ 345,257	\$ 315,261	\$ 219,186	\$ 362,191	\$ 425,702	\$ 346,416	\$ 403,286	\$ 417,077	\$ 375,848	\$ 342,680

Amount per contract	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00
<b>Expenditures:</b>										
Capital Projects (1)	\$ 6,400	\$ 6,109	\$ 510,392	\$ 79,349	\$ 21,886	\$ 13,158	\$ 58,588	\$ 223,607	\$ -	\$ -
Debt Service Payments (2)	-	268,107	267,722	263,248	264,297	261,777	258,907	263,547	272,663	300,227
Total Expenditures	\$ 6,400	\$ 274,216	\$ 778,114	\$ 342,597	\$ 286,183	\$ 274,935	\$ 317,495	\$ 487,154	\$ 272,663	\$ 300,227

(1) Capital project disbursements broken out by fiscal year; general maintenance expenditures are shown net with revenues.

(2) Debt Service relative to CFC is 70% of annual debt service on Series 2014 Bonds which were called and paid off in FY 2022.

Source: Audited Financial Statements

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 14:**  
**Demographic Data - Population**  
**Last Ten Calendar Years (unaudited)**

Calendar Year	Air Trade Area	Tennessee
2022	521,528	7,051,339
2021	516,729	6,975,218
2020	512,723	6,886,434
2019	510,851	6,829,174
2018	509,335	6,770,010
2017	508,097	6,708,794
2016	507,053	6,645,011
2015	506,464	6,590,808
2014	507,151	6,540,826
2013	509,234	6,495,978

Source: US Department of Commerce - Bureau of Economic Analysis; for Tennessee and the Johnson City-Kingsport-Bristol TN-VA (MSAs).

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 15:**  
**Demographic Data - Per Capita Income**  
**Last Ten Calendar Years (unaudited)**

Calendar Year	Air Trade Area	Tennessee
2022	\$48,210	\$59,162
2021	\$47,772	\$56,560
2020	\$43,444	\$51,046
2019	\$41,029	\$48,761
2018	\$40,140	\$46,900
2017	\$38,490	\$44,950
2016	\$37,336	\$43,726
2015	\$36,894	\$42,593
2014	\$35,762	\$40,801
2013	\$35,325	\$39,549

Source: US Department of Commerce - Bureau of Economic Analysis;  
 Johnson City-Kingsport-Bristol TN-VA (MSAs).

See Independent Auditors' Report.

**Tri-Cities Airport Authority**

**TABLE 16:**

**Demographic Data - Unemployment Rate Percentage  
Last Ten Calendar Years (unaudited)**

<u>Calendar Year</u>	<u>Air Trade Area</u>	<u>Tennessee</u>
2022	3.2%	2.9%
2021	2.9%	3.1%
2020	6.8%	7.5%
2019	3.7%	3.4%
2018	3.7%	3.5%
2017	4.1%	3.7%
2016	5.1%	4.7%
2015	5.8%	5.6%
2014	6.7%	6.6%
2013	7.7%	7.8%

Source: US Department of Labor - Bureau of Labor Statistics;  
annual average rate

Air Trade Area: Johnson City-Kingsport-Bristol TN-VA (MSAs)

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 17:**  
**Demographic Data**  
**Top 10 Employers in Region (unaudited)**  
**Current Year and Nine Years Ago**

Company	2023			2014			Industry
	Rank	Employees	Percentage	Rank	Employees	Percentage	
K-VA-T Food Stores, Inc.	1	16,000	31.6%	4	5,201	13.9%	Retail / Supermarket
Ballad Health *	2	14,000	27.7%	1 & 3	15,220	40.6%	Health Care
Eastman Chemical Company	3	7,000	13.8%	2	6,728	17.9%	Chemical, Fibers, Plastics and Special Materials
Advanced Call Center Technologies	4	2,500	4.9%			0.0%	Telecommunications
James H. Quillen VA Medical Center	5	2,500	4.9%	6	2,188	5.8%	Non-Profit Government Health Care
East Tennessee State University	6	2,248	4.4%	5	2,350	6.3%	Higher Education
Citi Group	7	2,200	4.4%	7	1,700	4.5%	Customer Service Call Center
Sullivan County Dept. of Education	8	1,400	2.8%	8	1,620	-	Public Education
A.O. Smith Water Heaters	9	1,370	2.7%	-	0	-	Water Heater Manufacturing
Kingsport City Schools	10	1,350	2.7%	-	0	-	Public Education
Hawkins County Schools	-	-	-	9	1,300	3.5%	Public Education
Washington County Schools	-	-	-	10	1,200	3.2%	Public Education

\* Ballad Health is merger of Mountain States Health Alliance (#1 in 2014) and Wellmont Health Systems (#3 in 2014)

Source: The Business Journal 'The Book of Lists' (2023 and 2014 editions)

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 18:**  
**Employees by Department \***  
**Last Ten Fiscal Years (unaudited)**

**Fiscal Years Ending June 30**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Full-Time Employees</b>										
Maintenance	9	9	9	8	8	9	9	9	9	9
Public Safety	15	16	16	16	16	15	15	15	15	15
Building Services	10	10	10	6	6	6	6	5	5	6
Airport Services	1	1	1	-	-	-	1	1	1	1
Marketing	2	2	1	1	1	1	2	2	2	2
Air Cargo & Trade Development	1	1	1	1	1	1	1	1	1	1
Administration	11	10	10	9	9	8	9	9	9	9
Access Control	2	-	-	-	-	-	-	-	-	-
<b>Total Full-Time Employees</b>	<u>51</u>	<u>49</u>	<u>48</u>	<u>41</u>	<u>41</u>	<u>40</u>	<u>43</u>	<u>42</u>	<u>42</u>	<u>43</u>
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Part-Time and Interim Employees</b>										
Airline Services	8	8	8	7	7	9	12	13	12	8
Access Control	3	7	7	7	7	7	6	7	7	7
Airport Services	-	-	-	2	2	2	1	1	1	1
Building Services	-	-	-	5	5	5	5	5	3	4
Administration	-	-	-	-	-	-	-	-	1	1
<b>Total Part-Time Employees</b>	<u>11</u>	<u>15</u>	<u>15</u>	<u>21</u>	<u>21</u>	<u>23</u>	<u>24</u>	<u>26</u>	<u>24</u>	<u>21</u>

\* - Based on current active employees as of June 30, 2023.

See Independent Auditors' Report.



**Tri-Cities Airport Authority**  
**TABLE 19:**  
**Insurance in Force (unaudited)**  
**June 30, 2023**

Type of Policy	Policy Insurer	Expiration Date	Policy Limit	Risk Coverage
Airport Liability	CHUBB	4/1/2024	\$50,000,000	General Liability
Excess Liability	CHUBB	4/1/2024	\$25,000,000	Over \$1M for Auto and \$1M Employment Liability
Environmental Liability	Colony Ins.	1/1/2024	\$2,000,000	Environmental Contamination from above ground tanks
Cyber Security & Cyber Crime	CFC Ins. Co.	4/1/2024	\$1,000,000	Cyber Incident Response, Data Breach, Media and Cyber Crime
Automobile	Cincinnati Ins. Co.	4/1/2024	\$1,000,000	Bodily Injury and Property Damage, Comp/Collision, Non-owned vehicles
Property	Cincinnati Ins. Co.	4/1/2024	\$42,713,840	Buildings, contents, flood, earthquake, landscape
Contractor's Equipment	Cincinnati Ins. Co.	4/1/2024	\$2,386,743	Contractor's equipment
Business Income	Cincinnati Ins. Co.	4/1/2024	\$1,000,000	Loss of Business
Employee Liability	Cincinnati Ins. Co.	4/1/2024	\$1,000,000	Employee Benefits Liability
Equipment	Cincinnati Ins. Co.	4/1/2024	\$1,899,805	Equipment
Public Officials	AXA XL Ins. Co.	4/1/2024	\$5,000,000	Airport Commissioners
Public Officials	AXA XL Ins. Co.	4/1/2024	\$5,000,000	Employment Practices
Crime/Fidelity	Travelers Ins. Co.	4/1/2024	\$250,000	Faithful Performance and Computer Fraud
Notary Bond	Western Surety	12/10/2023	\$25,000	Errors and Omissions
Worker's Comp	AIG Property Casualty AIG Property Casualty	4/1/2024 4/1/2024	\$1,000,000	Employer's liability Employee bodily injury
Health/Medical	United Healthcare	12/31/2023		Medical/Rx/Vision
Dental	Delta Dental of TN	12/31/2023		Dental
Life	MetLife	12/31/2023		Life/AD&D
Voluntary Products	Met Life USABLE AFLAC	12/31/2023		S/T, L/T disability, additional life, dependent coverage, cancer and accident

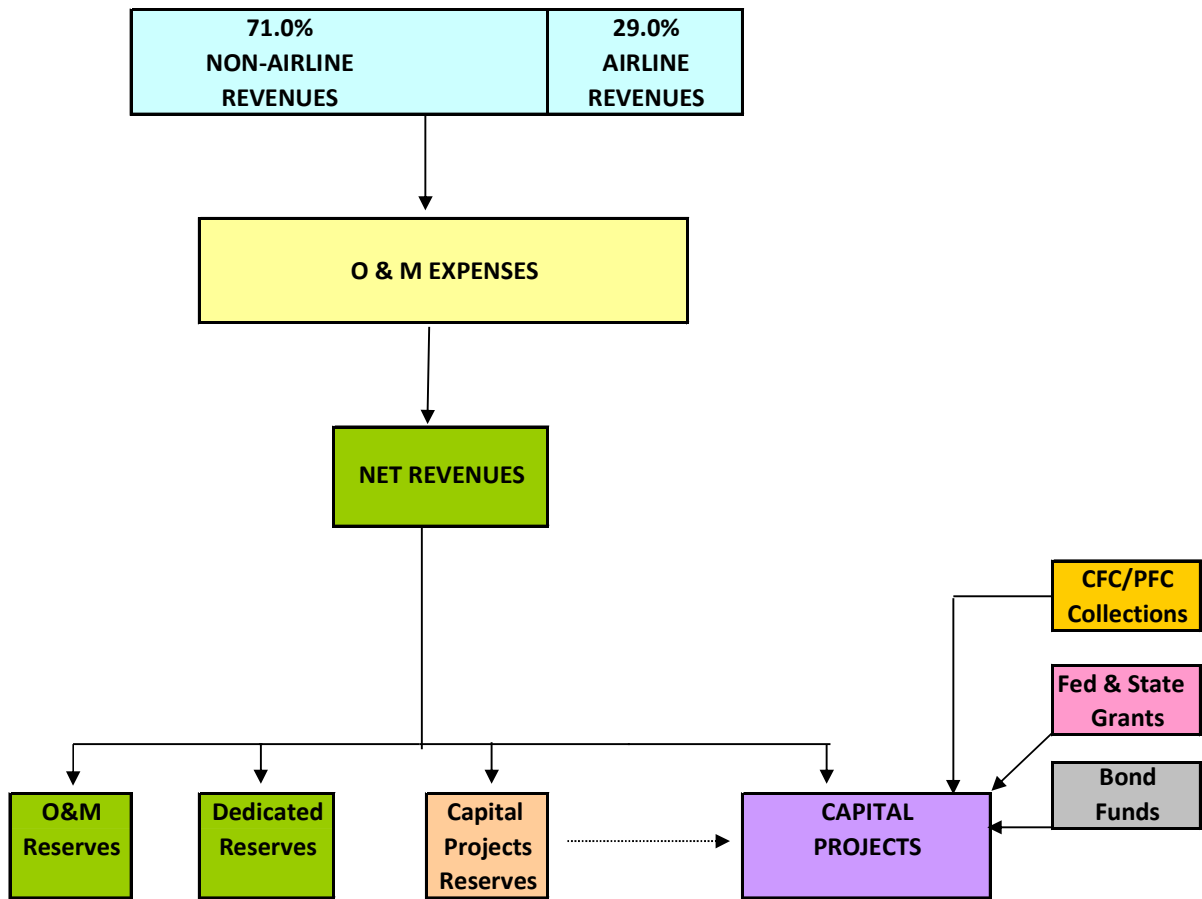
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**Tri-Cities Airport Authority**  
**TABLE 20:**  
**Capital Asset Allocation and Funding**  
**Last Ten Fiscal Years**

<b>SOURCE OF FUNDS</b>	<b>FY 2023</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
Federal Funds	\$ 4,102,561	\$ 2,607,865	\$ 2,599,005	\$ 641,920	\$ 2,133,644	\$ 2,035,749	\$ 2,226,418	\$ 3,378,077	\$ 1,415,152	\$ 17,022,388
State Funds	2,053,013	1,814,203	2,282,717	3,391,859	3,269,358	423,561	280,904	3,117,345	2,126,340	1,101,654
Other Capital Contributions	496,310	2,184,806	645,754	693,547	780,983	78,902	203,638	-	-	-
Airport Funds	2,069,677	-	1,509,814	3,240,755	2,861,546	398,417	1,870,579	1,017,980	749,403	824,771
<b>TOTAL SOURCE OF FUNDS</b>	<b>\$ 8,721,561</b>	<b>\$ 6,606,874</b>	<b>\$ 7,037,290</b>	<b>\$ 7,968,081</b>	<b>\$ 9,045,531</b>	<b>\$ 2,936,629</b>	<b>\$ 4,581,539</b>	<b>\$ 7,513,402</b>	<b>\$ 4,290,895</b>	<b>\$ 18,948,813</b>
<b>USE OF FUNDS</b>										
Land	\$ -	\$ 13,144,679	\$ 516,959	\$ -	\$ -	\$ -	\$ 112,489	\$ -	\$ -	\$ -
Construction In Progress	4,700,225	(12,978,417)	5,363,244	864,070	6,479,640	280,231	(4,888,973)	(12,518,123)	(7,395,486)	15,241,711
Runways, Roads, etc.	495,364	3,225,377	177,500	3,880,676	1,524,032	1,880,760	5,861,453	15,630,342	10,461,967	1,188,840
Parking Lot	-	81,640	16,453	3,585	-	188,675	495,809	-	-	-
Terminal Building	3,193,491	94,628	350,856	1,540,033	7,980	299,621	1,717,643	1,478,087	3,456	1,725,255
Other Buildings	26,984	2,743,907	560,506	1,441,324	205,735	19,096	163,840	2,659,766	1,055,693	-
Equipment and Vehicles	305,497	295,060	51,772	96,727	828,144	268,246	1,083,739	263,330	165,265	128,486
Master Plans	-	-	-	141,666	-	-	35,539	-	-	664,521
<b>TOTAL USE OF FUNDS</b>	<b>\$ 8,721,561</b>	<b>\$ 6,606,874</b>	<b>\$ 7,037,290</b>	<b>\$ 7,968,081</b>	<b>\$ 9,045,531</b>	<b>\$ 2,936,629</b>	<b>\$ 4,581,539</b>	<b>\$ 7,513,402</b>	<b>\$ 4,290,895</b>	<b>\$ 18,948,813</b>

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 21:**  
**Flow of Funds**



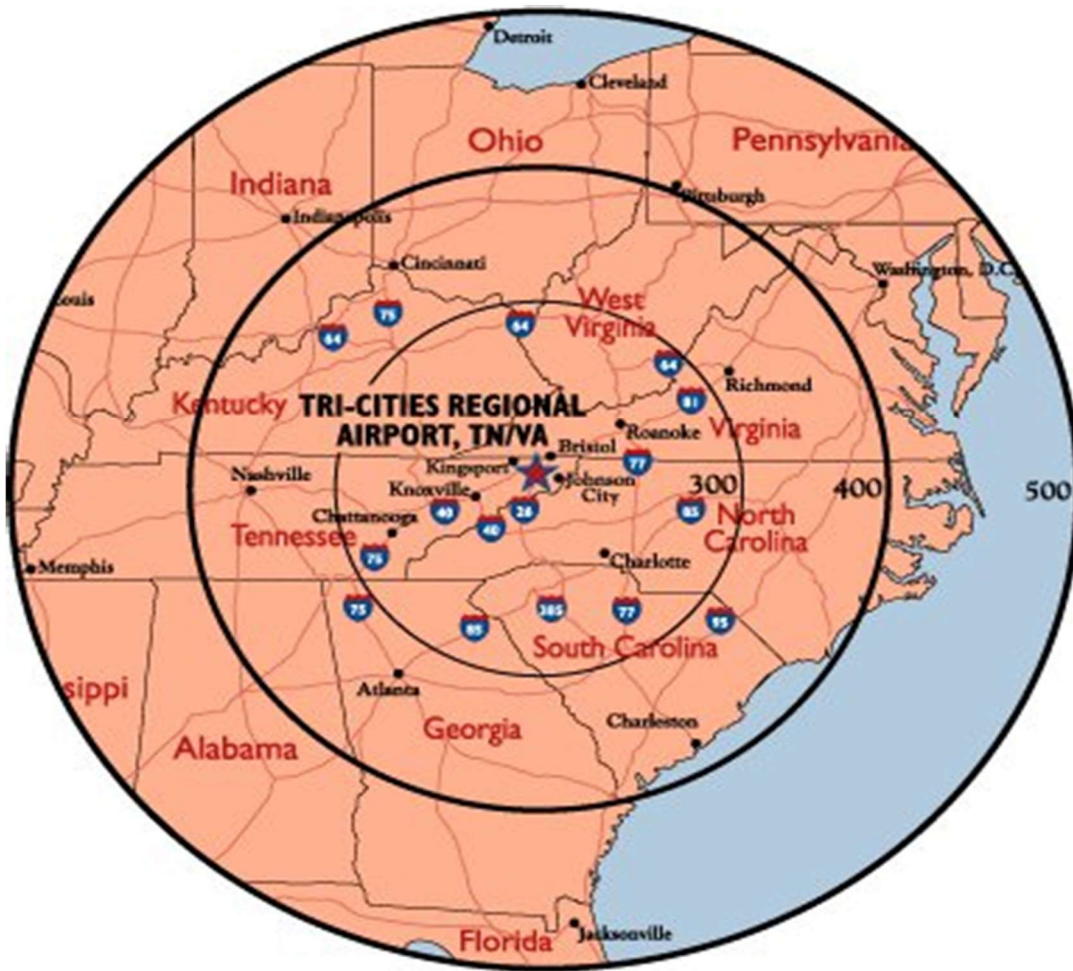
See Independent Auditors' Report.

**Tri-Cities Airport Authority**

**TABLE 22:**

**Location of Airport**

Tri-Cities Airport is centrally located between the cities of Bristol, Tennessee, Bristol, Virginia, Kingsport, Tennessee, and Johnson City, Tennessee. The Airport serves Northeast Tennessee, Southwest Virginia, North Carolina and Kentucky.



See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 23:**  
**Capital Asset Information**  
**as of June 30, 2023**

Land and Facilities:	1,290 +/- acres of land and 89 acres in easements 160 acres prepared for Aeronautical Development	
Elevation:	1,519 feet above mean sea level	
Airport Code:	TRI = FAA or IATA code (ICAO code = KTRI)	
Runways:	ILS Instrument Runway 5/23 - 8,000 feet x 150 feet (Category II) Secondary Runway 9/27 - 4,442 feet x 150 feet	
Terminal:	Airlines - Exclusive/Joint Use	13,193 sf
	Airlines - Common Use	15,278 sf
	Concessions	13,787 sf
	Public/Common	34,681 sf
	Administration	10,316 sf
	Mechanical	15,366 sf
	Other Leaseable	10,911 sf
	Total	<u>113,532 sf</u>
	Number of Passenger Gates	7
	Number of Loading Bridges	2
	Number of Concessionaires	4
	Number of Rental Car Agencies	3
Apron:	Commercial Airlines	100,200 sq yds
	Cargo Airlines	174,000 sq ft
	FBO	57,800 sq yds
	Aerospace Park	120,000 sq ft
Parking Spaces:	Long-Term	727
	Short-Term	247
	Long Term Overflow	210
	Employee	103
	Ground Transportation	157
	Total Parking Spaces	<u>1,444</u>
Cargo:	Air Cargo Logistics Center	13,000 sq ft
International:	U.S. Customs Station No. 2027 Foreign Trade Zone No. 204	
Tower:	TRACON	Open: 6:00 am - 11:59 pm 365 days per year
FBO:	Tri-City Aviation, Inc.	85,000 sq ft Hangar 12,000 sf ft Climate Controlled Hangar 21 Tie-Downs and 21 Plane Ports 10,000 sq ft FBO Terminal
Corporate:	5 Hangars	
Fuel Facilities:	15,000 gallon AVGAS 100 LL 60,000 gallon Jet A	

See Independent Auditors' Report.

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## Internal Control and Compliance

- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters
- Independent Auditors' Report on Compliance - Uniform Guidance
- Summary Schedule of Prior Year Findings
- Schedules of Findings and Questioned Costs
- Independent Auditors' Report on Compliance - PFC
- Schedule of Findings and Questioned Costs - PFC



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Commissioners  
of the Tri-Cities Airport Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Tri-Cities Airport Authority (the Authority), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 29, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 29, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Commissioners  
of the Tri-Cities Airport Authority

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Tri-Cities Airport Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended June 30, 2023. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of federal statutes, regulations, rules, provisions of contracts or grant agreements applicable to the Authority's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.


## Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 29, 2023

**TRI-CITIES AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR FISCAL YEAR FINDINGS  
For the Fiscal Year Ended June 30, 2023**

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Prior Year Finding Number	Finding Title	Status
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**FINANCIAL STATEMENT FINDINGS**

There were no prior fiscal year findings reported.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior fiscal year findings reported.

**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2023**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the Tri-Cities Airport Authority.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Tri-Cities Airport Authority were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal awards programs are reported in the Schedule of Findings and Questioned Costs.
5. The independent auditors' report on compliance for the major federal award programs for the Tri-Cities Airport Authority expresses an unmodified opinion. All funds paid and property or services transferred were paid in a manner consistent with 49 U.S.C. paragraph 47107(b) and FAA's Policy and Procedures regarding the use of airport revenue.
6. No audit findings relative to the major federal award programs for the Tri-Cities Airport Authority, which are required to be reported in accordance with 2 CFR section 200.516(a), are reported in this schedule.
7. The program tested as a major program was the Airport Improvement Program Federal Assistance Listing #20.106.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Tri-Cities Airport Authority was determined to be a low-risk auditee.

**SECTION II - FINANCIAL STATEMENT AUDIT**

**Current Year Findings**

None Reported.

**SECTION III - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Current Year Findings**

None Reported.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Honorable Commissioners  
of the Tri-Cities Airport Authority

**Report on Compliance for Passenger Facility Charge Program**

***Opinion on the Passenger Facility Charge Program***

We have audited the compliance of the Tri-Cities Airport Authority (the Authority), with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide) for its passenger facility charge program for the fiscal year ended June 30, 2023.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the fiscal year ended June 30, 2023.

***Basis for Opinion on the Passenger Facility Charge Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guide. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the passenger facility charge program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of internal control over compliance with the laws and regulations applicable to its passenger facility charge program.



### ***Auditors' Responsibilities for the Audit of the Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the Authority's compliance with those requirements.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis.

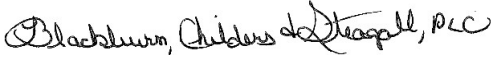
Tri-Cities Airport Authority  
Independent Auditors' Report on  
Passenger Facility Charge Program

*A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a compliance requirement of the Guide will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of the Guide that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of the Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 29, 2023

**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PASSENGER FACILITY CHARGE PROGRAM**  
**For the Fiscal Year Ended June 30, 2023**

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**I. Summary of Auditors' Results**

- i. An unmodified report was issued on the financial statements of the Tri-Cities Airport Authority.
- ii. No instances of noncompliance were disclosed by the audit on the Authority's financial statements.
- iii. An unmodified opinion was issued on compliance for the passenger facility charge program.

**II. Financial Statement Findings**

There were no findings reported related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

**III. Findings and Questioned Costs - Passenger Facility Charge Program**

There were no findings reported related to the passenger facility charge program.

**IV. Status of Prior Year Findings**

There were no prior year findings.