

WILLIAMS GATEWAY AIRPORT AUTHORITY

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

WILLIAMS GATEWAY AIRPORT AUTHORITY
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
Williams Gateway Airport Authority

We have audited the accompanying financial statements of the business-type activities of Williams Gateway Airport Authority (Authority) as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of Williams Gateway Airport Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial reports contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Williams Gateway Airport Authority, as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. In addition, the budgetary information presented on page 29 is not a part of the basic financial statements, but is presented as supplementary information. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 6, 2005 on our consideration of William Gateway Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cronstrom, Trbovich & Osuch, P.C.

Cronstrom, Trbovich & Osuch, P.C.

October 6, 2005

**WILLIAMS GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2005 and 2004**

The management of Williams Gateway Airport Authority (WGAA) offers readers this overview and analysis of WGAA's financial statements and activities for the fiscal years ended June 30, 2005 and June 30, 2004. In the following discussion, references to "WGAA" relate to Williams Gateway Airport Authority and references to "the Airport" relate to Williams Gateway Airport, which WGAA manages and operates.

Financial Highlights

- WGAA's assets exceeded liabilities at the end of the fiscal year by \$129,434,663 (net assets). Total net assets includes \$124,790,606 in capital assets net of related debt. \$1,090,137 of the total net assets are restricted for specific uses, and \$3,553,920 in unrestricted net assets.
- Total liabilities (including member loans) increased by \$4,332,073 (8.6%) to \$54,799,003.
- WGAA's operations produced a loss of \$9,865,746 for the fiscal year. Much of this loss can be attributable to non-cash depreciation expense on assets that were contributed by the federal government or acquired with the aid of grants, but WGAA still relies on its member governments to supplement the revenues it earns from providing airport services. During the year, member government loans to WGAA increased by \$3,390,000 to \$44,253,976 and accrued interest relating to that debt increased by \$1,399,820 to \$7,196,519. (The notes are due in the year 2020.)
- During the year, total net assets decreased by \$7,117,741.
- Sales in WGAA's fueling operation were up 26% to \$12,535,780.

Overview of the Financial Statements:

This discussion and analysis serves to introduce WGAA's basic financial statements. WGAA's basic financial statements have two components, 1) fund financial statements, and 2) notes to the financial statements. Separate government-wide financial statements are not presented since WGAA has only one fund.

Fund financial statements.

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, WGAA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Unlike most other governments, which have multiple funds, all of WGAA's activities are business-type activities and are accounted for in a single proprietary fund.

Proprietary funds. WGAA maintains its accounting records in a single enterprise fund. An enterprise fund is a type of proprietary fund used to report business-type activities.

The proprietary fund financial statements can be found on pages 10 -13 of this report.

The *statement of net assets* presents information on WGAA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of WGAA is improving or deteriorating.

The *statement of revenues, expenses and changes in fund net assets* presents information on how WGAA's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 15 - 26 of this report.

**WILLIAMS GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2005 and 2004**

Financial Analysis

Net assets may serve as a useful indicator of a government's financial position. At the end of the fiscal year, WGAA's assets exceeded liabilities by \$129,434,663.

Airports are capital-intensive enterprises. Over 96% of WGAA's net assets are invested in capital assets, less any related debt used to acquire those assets that remains outstanding. WGAA uses these assets to provide aviation access and services to the flying public and the surrounding community; consequently, these assets are not available for future spending. Although WGAA's investment in its capital assets is reported net of related debt, the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Williams Gateway Airport Authority's Net Assets

	2005	2004	2003
Current and other assets	\$ 7,121,157	\$ 8,652,456	\$ 12,506,501
Capital assets, net of accumulated depreciation	177,112,508	178,366,878	179,557,695
Total assets	<u>184,233,665</u>	<u>187,019,334</u>	<u>192,064,196</u>
Long-term liabilities	52,100,244	47,664,263	43,230,559
Other liabilities	2,698,759	2,802,667	3,627,720
Total liabilities	<u>54,799,003</u>	<u>50,466,930</u>	<u>46,858,279</u>
Net assets:			
Invested in capital assets, net of related debt	124,790,606	130,486,395	135,973,351
Restricted	1,090,137	1,935,366	4,658,013
Unrestricted	3,553,920	4,130,643	4,574,553
Total net assets	<u>\$ 129,434,663</u>	<u>\$ 136,552,404</u>	<u>\$ 145,205,917</u>

\$1,090,137 (0.8%) of WGAA's net assets represent resources that are subject to external restrictions on how they may be used. Restricted assets are mostly deposits and grant funds received that have not yet been spent for the intended purposes. The unrestricted net assets represent funds available for WGAA's on-going operations. The remaining net assets are invested in capital assets. This reflects the capital assets net of member governments' investments in both the operations and infrastructure of the airport. Member loans and accrued interest are payable June 30, 2020.

At the end of the fiscal year and the previous year, all three categories of net assets had positive balances.

Net assets decreased by \$7,117,741, or 5.2% from the previous fiscal year-end. This was primarily due to depreciation expense and the use of another year's loans from member governments to help pay operating expenses. Member loans increased in the fiscal year 2004-05 by \$3,390,000, which is the same increase recorded in fiscal year 2003-04. Current and other assets decreased, mostly due to spending of restricted funds on the capital assets they were designated to purchase.

The decrease in capital assets, net of related debt was primarily due to depreciation. New investments in capital assets (less asset dispositions) were \$1,254,370 less than the year's depreciation expense on capital assets. The \$845,229 decrease in restricted assets was primarily due to spending of grant funds on the capital assets designated by the granting agency.

**WILLIAMS GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2005 and 2004**

Business-type activities

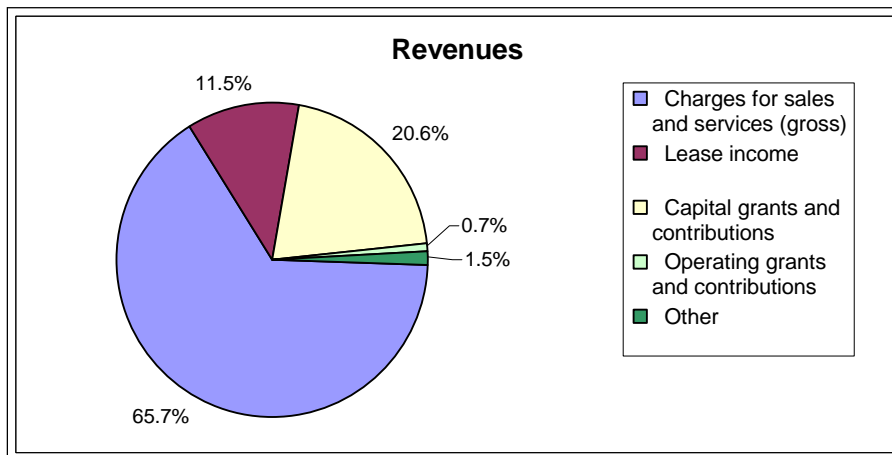
All of WGAA's activities are classified as business-type activities. Except for a substantial increase in fuel sales, the financial operations of WGAA did not change significantly during the year. The \$7,117,741 decrease in net assets was 17.7% less than the reduction in net assets last year. The change came about as indicated below by the following elements of the revenues and expenses:

Williams Gateway Airport Authority's Changes in Net Assets

	2005	2004	2003
Revenues:			
Charges for sales and services (gross)	12,987,564	\$ 10,255,728	\$ 6,570,257
Lease income	2,268,373	2,069,647	2,033,298
Capital grants and contributions	4,081,130	2,489,081	3,244,808
Operating grants and contributions	147,766	82,234	-
Other	288,897	117,554	202,878
Total revenues	<u>19,773,730</u>	<u>15,014,244</u>	<u>12,051,241</u>
Expenses			
Cost of sales	9,110,114	6,936,862	4,138,051
Depreciation	7,528,876	7,301,957	7,911,306
Other operating expenses	8,482,693	8,114,704	7,373,716
Interest expense on loans from member governments	1,399,820	1,260,311	1,090,642
Other non-operating expenses	369,968	53,923	467,480
Total expenses	<u>26,891,471</u>	<u>23,667,757</u>	<u>20,981,195</u>
Increase (decrease) in net assets	(7,117,741)	(8,653,513)	(8,929,954)
Net assets at prior year-end	136,552,404	145,205,917	154,135,871
Net assets at year-end	<u>\$129,434,663</u>	<u>\$136,552,404</u>	<u>\$145,205,917</u>

Revenues:

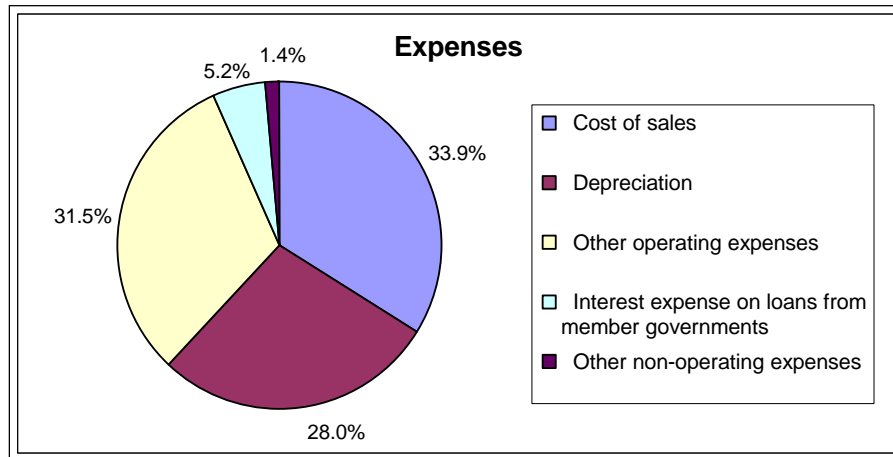
Charges for sales and services increased by \$2,731,836 (27%), primarily due to increased fuel sales. The volume of fuel sold was 1% less than the prior year, but increasing fuel prices were responsible for the increase in fuel sales from the prior year; Lease income was up \$198,726. Capital grants and contributions were up by \$1,592,049 (64%). The amount under operating grants represents the spending during the fiscal year under the marketing grant contributed by the City of Phoenix Aviation Department. Other revenues increased by \$171,343 mostly as a result of a one-time fire suppression connection fee.



**WILLIAMS GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2005 and 2004**

Expenses:

Cost of sales increased by \$2,173,252 (31%), mostly reflecting the increased cost of the fuel sold. Depreciation expense increased \$226,919. The increase in depreciation expense is due to acquisition of new assets. Other operating expenses increased by \$367,989 (5%). \$128,966 of that represented increased personnel costs, \$96,741 was for increased equipment rental and other equipment expenses, \$48,204 was bank fees related to increased sales paid via credit cards, and \$40,614 represented increased repair and maintenance costs. Interest expense on loans from member governments increased by \$139,509, reflecting the accumulation of accrued interest and additional interest relating to annual additions to these loans from the member governments.



Budget

WGAA staff prepares a budget annually. It is submitted to the Board of Directors for approval during the spring of each year. The budget is used as a management tool; it is not a legally binding document. During the fiscal year, the budget and monthly comparisons of actual activity to budget were converted from a budgetary basis of accounting to an accrual basis of accounting. Although the budget is not legally adopted, it is an important management tool used throughout the fiscal year. See page 29 for a presentation of the budget as supplementary information.

Capital Assets and Debt Administration

Capital assets (net of depreciation)

WGAA's capital assets totaled \$177,112,508 (net of accumulated depreciation). The capital assets include land; runways, taxiways, and apron areas; buildings; improvements; machinery and equipment. A large majority of these assets were contributed to the airport directly or were purchased with the aid of federal and state grants. Total capital assets, net decreased by less than 1% during the fiscal year.

Capital assets (net of depreciation)

	2005	2004	2003
Land and land improvements	\$ 81,514,058	\$ 81,979,080	\$ 81,966,448
Buildings and improvements	89,746,119	88,600,690	87,070,976
Machinery and equipment	1,726,653	2,110,589	2,387,134
Construction in Progress	4,125,678	5,676,519	8,133,137
Total capital assets, net	<u>\$ 177,112,508</u>	<u>\$ 178,366,878</u>	<u>\$ 179,557,695</u>

**WILLIAMS GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2005 and 2004**

Major capital asset events during the current fiscal year included the following:

- Taxiway F, a new taxiway serving the north general aviation area of the airport, was completed at a cost of \$1,877,109.
- The intersection of Taxiways A and P was reconstructed to meet FAA design criteria and provide a safer operating environment for aircraft. Cost: \$1,684,667.
- The new airport fuel farm was substantially completed. Construction in progress for this project at the end of the fiscal year was \$2,131,259.
- Sossaman Road and Velocity Way were both completed and transferred to City of Mesa, which is now responsible for maintenance of these assets. (See Other Potentially Significant Matters below for more on this.)
- The Taxiway B drainage improvements project was completed at a cost of \$1,194,260.
- Construction began to extend the service area of the South Central Fire Protection System to additional lots. This involves added piping and pumps. Costs to June 30, 2005: \$950,462.
- Most of the remodeling for the new general aviation center was completed and the Gateway Aviation Services group moved into their new facility. Work on the restaurant area of the building began, but was not yet complete at June 30. Costs to June 30, 2005: \$480,345.

Long-term debt.

At the end of the current fiscal year, WGAA had total debt outstanding of \$52,321,902. \$51,450,495 (98%) of the total outstanding debt is principal and interest (at 3% rate) on loans made by member governments to help cover operating expenses and airport improvements. These loans are not due until June 2020 or such time as the WGAA Board of Directors determines that WGAA has sufficient funds for repayments. WGAA reduced its capital lease obligations by \$348,401 (29%) by making regularly scheduled principal and interest payments. During the current fiscal year, WGAA did not incur any new capital lease obligations.

Williams Gateway Airport Authority's Outstanding Debt

	2005	2004	2003
Loans from Member Governments (including accrued interest)	\$ 51,450,495	\$ 46,660,675	\$ 42,010,364
Capital Lease Obligations	871,407	1,219,808	1,573,580
	\$ 52,321,902	\$ 47,880,483	\$ 43,583,944

- Loans from member governments (principal) increased by \$3,390,000 (8%) during the fiscal year, the same amount as the \$3,390,000 increase in loans during the previous year. The accrued interest component of member government loans increased by \$1,399,820 compared to \$1,260,311 in the previous year.

Additional information on WGAA's long-term debt can be found in note 3.D. on page 22.

Economic Factors

The percentage of expenses provided by operating revenues has been increasing each year, but WGAA still depends on annual loans from its member governments to cover a portion of its operating costs. This makes WGAA indirectly susceptible to downturns in the economy and other difficulties that could affect member governments' abilities to provide this annual funding. However member government support of this kind has been consistent over the last several years.

With WGAA's largest fueling customer being the federal government, a significant portion of fueling revenue depends on continuation of military training and other activities that bring government aircraft to the airport.

**WILLIAMS GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2005 and 2004**

WGAA also depends on capital grants, which have mostly been from the Federal Aviation Administration (FAA) and the Arizona Department of Transportation (ADOT), to continue its capital improvement and renewal programs. The recent restoration of the Arizona Aviation Trust Fund has sharply increased the availability of grant funds from ADOT.

Other Potentially Significant Matters

During the year, the FAA ruled that the transfer to the City of Mesa of the land on which WGAA had constructed two public roads is not allowed without the FAA's permission. The FAA and WGAA and the City of Mesa staff have agreed in principle that the City will return the land to WGAA and WGAA will grant a permanent easement to the City for use and control of the roads. The specifics are still being developed.

Since June 30, 2005, the FAA and ADOT have announced a variety of grant awards to WGAA at levels well in excess of those awarded in the fiscal year just ended. Grants awarded in the fiscal year ended June 30, 2005 totaled \$4,542,033. As of October 6, 2005, WGAA has already received \$11,550,116 in grant awards in the 2006 fiscal year, which is a more than 150% increase over the previous year. (Grant revenues are recognized when the funds are spent according to the grant agreements, not when the grants are awarded.)

Requests for Information

This financial report is designed to provide a general overview of WGAA's finances for all those who are interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Williams Gateway Airport Authority, 5835 S. Sossaman Road, Mesa, AZ 85212.

BASIC FINANCIAL STATEMENTS

WILLIAMS GATEWAY AIRPORT AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005 and 2004

	Business-type Activities - Enterprise Fund	
	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,898,656	\$ 3,642,384
Accounts receivable, net	412,320	244,023
Due from other governments	2,239,635	2,509,708
Prepaid costs	124,428	114,305
Inventories	230,593	115,274
Total current assets	5,905,632	6,625,694
Noncurrent assets:		
Restricted assets	1,215,525	2,026,762
Capital assets:		
Nondepreciable	85,639,736	87,582,127
Depreciable	91,472,772	90,784,751
Total noncurrent assets	178,328,033	180,393,640
Total assets	184,233,665	187,019,334
Liabilities		
Current liabilities:		
Accounts payable	1,421,012	1,628,679
Accrued liabilities	304,652	247,739
Vacation benefits payable	391,872	344,667
Capital lease obligations payable	361,175	348,401
Retirement sick leave payable	12,683	12,016
Unearned revenue	81,976	129,769
Total current liabilities	2,573,370	2,711,271
Current liabilities payable from restricted assets:		
Tenant deposits	125,388	91,396
Noncurrent liabilities:		
Loans payable to member governments	44,253,976	40,863,976
Accrued interest payable to member governments	7,196,519	5,796,699
Capital leases	510,232	871,407
Retirement sick leave payable	139,517	132,181
Total noncurrent liabilities	52,100,244	47,664,263
Total liabilities	54,799,002	50,466,930
Net assets		
Invested in capital assets, net of related debt	124,790,606	130,486,395
Restricted net assets	1,090,137	1,935,366
Unrestricted net assets	3,553,920	4,130,643
Total net assets	\$ 129,434,663	\$ 136,552,404

The accompanying notes to the basic financial statements are an integral part of this statement.

WILLIAMS GATEWAY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

	Business-type Activities Enterprise Fund	
	2005	2004
Operating revenues		
Fueling operations	\$ 12,535,780	\$ 9,936,502
Lease income	2,268,373	2,069,647
Maintenance services	208,261	119,429
Airport usage fees	243,523	199,797
Total operating revenues	<u>15,255,937</u>	<u>12,325,375</u>
Operating expenses		
Personnel costs	5,350,193	5,221,227
Professional services	1,112,363	1,108,133
Cost of goods sold - fueling operations	9,082,974	6,910,027
Costs of maintenance services sold	27,140	26,835
Repair and maintenance	505,076	464,462
Utilities	295,068	284,424
Insurance	241,475	239,122
Other expense	978,518	797,337
Depreciation	7,528,876	7,301,957
Total operating expenses	<u>25,121,683</u>	<u>22,353,524</u>
Operating income (loss)	<u>(9,865,746)</u>	<u>(10,028,149)</u>
Nonoperating revenues (expenses)		
Operating grants from other governments	147,766	82,234
Investment income	113,356	112,690
Other income	175,541	4,865
Gain/(loss) on disposition of assets	(331,748)	-
Interest expense - notes payable to member governments	(1,399,820)	(1,260,311)
Interest expense - other	(38,220)	(53,923)
Total nonoperating revenues (expenses)	<u>(1,333,125)</u>	<u>(1,114,445)</u>
Loss before contributions and transfers	(11,198,871)	(11,142,594)
Capital contributions	<u>4,081,130</u>	<u>2,489,081</u>
Change in net assets	(7,117,741)	(8,653,513)
Net assets, beginning of year	<u>136,552,404</u>	<u>145,205,917</u>
Net assets, end of year	<u>\$ 129,434,663</u>	<u>\$ 136,552,404</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

WILLIAMS GATEWAY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

	Business-type Activities - Enterprise Funds	
	2005	2004
Cash flows from operating activities		
Receipts from customers	\$ 15,437,701	\$ 11,764,163
Payments to employees	(5,238,072)	(5,171,934)
Payments to suppliers	(12,265,470)	(11,224,362)
Customer deposits	33,992	(135,065)
Net cash flows from operating activities	(2,031,849)	(4,767,198)
Cash flows from non-capital financing activities		
Loans from member governments	3,390,000	3,390,000
Operating grants from other governments	130,000	100,000
Net cash flows from non-capital financing activities	3,520,000	3,490,000
Cash flows from capital and financing activities		
Acquisition of capital assets (net)	(6,916,507)	(5,413,317)
Principal paid on capital leases	(348,401)	(353,772)
Interest paid on capital leases	(38,220)	(53,923)
Capital grants received	3,971,115	3,353,114
Net cash flows from capital and financing activities	(3,332,013)	(2,467,898)
Cash flows from investing activities		
Investment income	113,356	112,690
Other income/expense	175,541	4,865
Net cash flows from investing activities	288,897	117,555
Net change in cash and cash equivalents	(1,554,965)	(3,627,541)
Cash and cash equivalents, beginning of year	5,669,146	9,296,687
Cash and cash equivalents, end of year	\$ 4,114,181	\$ 5,669,146
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and cash equivalents	\$ 2,898,656	\$ 3,642,384
Restricted assets	1,215,525	2,026,762
Total	\$ 4,114,181	\$ 5,669,146

(Continued)

The accompanying notes to the basic financial statements are an integral part of this statement.

**WILLIAMS GATEWAY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

	Business-type Activities - Enterprise Funds	
	2005	2004
(Concluded)		
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (9,865,746)	\$ (10,028,149)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	7,528,876	7,301,957
Change in assets/liabilities:		
Accounts receivable	211,790	(673,215)
Prepaid costs	(10,123)	(44,149)
Inventories	(115,319)	16,429
Accounts payable and accrued liabilities	159,499	(1,473,747)
Unearned revenue	(30,026)	112,003
Customer deposits	33,992	(135,065)
Compensated absences payable	55,208	156,738
Net cash provided (used) by operating activities	\$ (2,031,849)	\$ (4,767,198)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The Authority recognized \$1,399,820 and \$1,260,311 of interest payable on loans from member governments during fiscal years 2005 and 2004, respectively.

The accompanying notes to the basic financial statements are an integral part of this statement.

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**WILLIAMS GATEWAY AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2005 and 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Williams Gateway Airport Authority (WGAA) have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting entity

Williams Gateway Airport Authority was established on May 19, 1994 as a joint powers airport authority pursuant to Arizona Revised Statutes Title 28, Chapter 25, Article 8. It operates 3,020 acres as Williams Gateway Airport ("the Airport"). WGAA is overseen by a four-person board of directors, which is comprised of a representative from each of the member governments. The members of WGAA are the Gila River Indian Community; Town of Gilbert, Arizona; City of Mesa, Arizona; and Town of Queen Creek, Arizona.

In addition to WGAA's board of directors, a variety of federal, state and local laws, agreements and regulations govern the operations at the airport. The Federal Aviation Administration (FAA) has jurisdiction over aircraft operations, including aircraft, personnel, facilities and many technical issues, including noise limits and reasonableness of fees. Under federal law and the FAA's regulations and grant agreements, WGAA cannot legally transfer revenues to its member governments except in exchange for fair value received.

WGAA is legally separate from other state and local governments. There are no component units combined with WGAA for financial statement presentation purposes and WGAA is not included in any other governmental reporting entity. These financial statements present only the financial position and activities of WGAA for which its governing board is financially accountable.

WGAA earns revenue from leases of land and airport facilities. Fees received for use of the airport include landing fees, tie down fees and fuel flowage and fixed base operator (FBO) fees. WGAA also operates a fueling operation at the airport and contracts with various tenants and users of the facilities within the airport area to provide maintenance services. Major expenses include salaries and fringe benefits, professional services for fire protection, legal and development consulting, maintenance and utilities.

B. Government-wide and fund financial statements

Government-wide financial statements are not presented, as WGAA only engages in business-type activities. WGAA has only one fund, an enterprise fund. Accordingly, the statement of net assets, the statement of revenues, expenses and changes in net assets and the statement of cash flows report information for that single enterprise fund only.

C. Measurement focus, basis of accounting, and financial statement presentation

The statement of net assets and statement of revenues, expenses and changes in fund net assets 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Such revenue is subject to review by the funding agency, which may result in disallowance in subsequent periods.

All of WGAA's activities are accounted for in a single proprietary or business-type fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of

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following subsequent private-sector guidance for the business-type activities, subject to this same limitation. WGAA has elected not to follow subsequent private-sector guidance.

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. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

WGAA's cash and cash equivalents are comprised of cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

Arizona Revised Statutes authorize WGAA to invest public monies in the State and County Treasurer's investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.

2. Receivables

All trade receivables are shown net of an allowance for uncollectible receivables. WGAA annually reviews the balance in the reserve account during the budget process to determine if, based on past history, the account is adequate to cover current trade receivables. If judged to be inadequate, an additional amount is budgeted and recorded over the course of the year. Receivables from governments are assumed to be entirely collectible and are not included in this analysis. Over the last two years, this allowance has ranged from 8% to 13% of accounts receivable.

3. Inventories and prepaid items

Supply inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of inventory is reported as an expense at the time the individual items are consumed. Fuel inventories are valued at cost using the moving average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

4. Capital assets

Capital assets include property, plant, equipment, and infrastructure assets. Capital assets are defined by WGAA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Property, plant, equipment and infrastructure assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Interest incurred during construction of capital assets is included as part of the capitalized value of the assets constructed. Other costs incurred for repairs and maintenance are expensed as incurred.

WILLIAMS GATEWAY AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	20 – 30 years
Improvements other than buildings	5 – 30 years
Machinery and equipment	8 – 10 years

Amortization of leased capital assets is provided using the straight-line method based on the estimated useful lives of the leased assets. Such amortization is added to accumulated depreciation and depreciation expense for reporting purposes.

When assets are retired or sold, the costs of those assets and the related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is charged to income or expense.

5. Compensated absences

The liability for compensated absences reported in the statement of net assets consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts are included for employees who currently are eligible to receive termination payments.

6. Net assets

In the statement of net assets, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is reported separately because it makes up a significant portion of total net assets. Restricted net assets are the portion of net assets restricted by parties outside WGAA. Unrestricted net assets are the remaining net assets not included in the previous two categories.

7. Income Taxes

WGAA is exempt from federal and state income taxes as a political subdivision under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

8. In-kind contributed services

Granting agencies sometimes allow contributed services provided by local governments to be used to match federal funding on various grants. Where applicable, the amounts of such services are recorded in the financial statements at their estimated fair values at date of receipt. Such contributed services are recognized as expense and equivalent amounts recorded as revenue. For the fiscal years ended June 30, 2005 and 2004, no contributed services were used to match grant funding.

9. Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**WILLIAMS GATEWAY AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2005 and 2004**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

WGAA uses a budget process that culminates in the adoption of a formal annual budget by the board of directors. The budget is a planning and control device; it is not legally binding in the sense of appropriations commonly required in municipal governments.

NOTE 3 - DETAILED NOTES

A. Assets

1. Deposits and investments

Deposits and investments at June 30, 2005 and 2004 consist of the following:

	2005	2004
Deposits		
Cash on hand	\$ 1,830	\$ 1,225
Cash in bank	6,760	9,830
Investments		
Money Market Mutual Fund	383,302	106,311
State Treasurer's Investment Pool	3,453,662	4,458,279
Cash on deposit with trustee	268,627	1,093,501
Total deposits and investments	4,114,181	5,669,146
Less: restricted cash	(1,215,525)	(2,026,762)
Total cash and equivalents	\$ 2,898,656	\$ 3,642,384

Deposits - WGAA's deposits at June 30, 2005, were entirely covered by federal depository insurance or by collateral held by WGAA's custodial bank in WGAA's name.

WGAA's bank accounts are covered up to \$100,000 by federal depository insurance. In addition, WGAA's bank has pledged collateral having a market value at June 30, 2005 of \$1,499,177 to cover deposits in excess of the federal depository insurance coverage. Deposits at the bank have not exceeded the federal depository insurance coverage and the collateral pledged by the bank during the fiscal years reported. WGAA has no custodial credit risk.

Investments - The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. At June 30, 2005, according to the Arizona State Treasurer's Office, the fair market value of the underlying securities in its Local Government Investment Pool was \$1.00 per \$1.00 of carrying value in the Pool. The shares are not identified with specific investments and are not subject to custodial credit risk. The investment in the State Treasurer's Local Government Investment Pool (LGIP) are not insured or collateralized. All other investments of WGAA are uninsured and unregistered with the securities held by the counter party's trust department or agent in WGAA's name. WGAA is not subject to custodial credit risk as the investments are not identified with any specific investment and are invested in a money market account.

Interest rate risk. In accordance with its investment policy, WGAA manages its exposure in declines in fair value by limiting the average maturity of investments to less than one year.

WILLIAMS GATEWAY AIRPORT AUTHORITY
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Fiscal Years Ended June 30, 2005 and 2004

Investments are categorized into three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

At year-end, the credit risks relating to WGAA's investment balances were as follows:

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Reported Amount</u> <u>& Fair Value</u>
Repurchase agreements	\$ 383,302	\$ -	\$ 268,627	\$ 651,929
Investments not subject to categorization:				
State Treasurer's investment pool				3,453,662
Total investments				<u>\$ 4,105,591</u>

2. Restricted assets

Certain assets of WGAA are classified as restricted net assets because their use is restricted by grant or contractual agreements. Restricted assets include the following:

	<u>2005</u>	<u>2004</u>
Customer deposits	\$ 125,388	\$ 91,396
State appropriation and related interest	821,510	841,865
Cash held in escrow for purchase of equipment	268,627	1,093,501
Total restricted assets	<u>\$ 1,215,525</u>	<u>\$ 2,026,762</u>

3. Receivables

Total accounts receivable has been reduced by an allowance for uncollectible accounts:

	<u>2005</u>	<u>2004</u>
Trade receivables - governments	\$ 746,290	\$ 1,126,377
Grants receivable	1,493,345	1,383,331
Total due from other governments	<u>\$ 2,239,635</u>	<u>\$ 2,509,708</u>
Total accounts receivable	\$ 450,154	\$ 279,164
Less allowance for uncollectible accounts	(37,834)	(35,141)
Accounts receivable, net	<u>\$ 412,320</u>	<u>\$ 244,023</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2005 and 2004

4. Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance 6/30/2004	Increases	Decreases	Ending Balance 6/30/2005
Capital assets not being depreciated				
Land	\$ 81,905,608	\$ -	\$ (391,550)	\$ 81,514,058
Construction in progress	5,676,519	6,495,595	(8,046,436)	4,125,678
Total capital assets not being depreciated	<u>\$ 87,582,127</u>	<u>\$ 6,495,595</u>	<u>\$ (8,437,986)</u>	<u>\$ 85,639,736</u>
Capital assets being depreciated				
Land improvements	\$ 98,971	\$ -	\$ (98,971)	\$ -
Buildings and improvements	133,316,162	8,524,734	(2,924,612)	138,916,284
Machinery and equipment	4,541,576	63,201	(159,061)	4,445,716
Total capital assets being depreciated	<u>\$137,956,709</u>	<u>\$ 8,587,935</u>	<u>\$ (3,182,644)</u>	<u>\$143,362,000</u>
Less accumulated depreciation for:				
Land improvements	\$ 25,499	\$ -	\$ (25,499)	\$ -
Buildings and improvements	44,715,472	7,147,983	(2,693,290)	49,170,165
Machinery and equipment	2,430,987	406,393	(118,317)	2,719,063
Total accumulated depreciation	<u>\$ 47,171,958</u>	<u>\$ 7,554,376</u>	<u>\$ (2,837,106)</u>	<u>\$ 51,889,228</u>
Total capital assets being depreciated, net	<u>\$ 90,784,751</u>	<u>\$ 1,033,559</u>	<u>\$ (345,538)</u>	<u>\$ 91,472,772</u>
Business-type activities capital assets, net	<u>\$178,366,878</u>	<u>\$ 7,529,154</u>	<u>\$ (8,783,524)</u>	<u>\$177,112,508</u>

B. Purchase commitments

As of June 30, 2005, WGAA had entered into various contracts and commitments for purchases of goods and consulting and construction/renovation services, both on its own account and under grant programs.

	<u>June 30 2005</u>	<u>June 30, 2004</u>
Open purchase commitments (net of cost of goods and services received against these commitments)	\$ 902,000	\$ 1,970,000
Portion of above funded by grants	\$ 267,000	\$ 1,410,000

WGAA had 15 active design or construction projects at June 30, 2005. These projects are expected to cost a total of \$8.3 million, of which \$4.6 million has been committed and \$3.8 million has been spent. Some of those commitments have been fulfilled and closed. At fiscal year end, WGAA's open commitments with contractors relating to these projects were as follows:

WILLIAMS GATEWAY AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2005 and 2004

Project	Spent-to-date	Remaining Contract
Airport Fuel Farm	\$ 412,278	121,102
Construct S. Central Fire	1,033,210	391,322
Design of Taxi B from Taxi H to G	52,228	189,884
Other	522,698	145,355
Total	\$ 2,020,414	847,663

C. Obligations under leases

Operating lease

WGAA has leased land to a tenant who constructed a building on the property and in 2000 leased the building to WGAA for 15 years. The total rent due from WGAA over the remaining life of the lease is \$2,072,684 plus agreed upon escalation factors. WGAA subleases the space in the building to other airport tenants. The long-term lease agreement is classified as an operating lease. Future rents will include adjustments based on the Consumer Price Index (which are not projected in the following schedules). Total rent expenses for operating leases for the years ended June 30, 2005 and 2004 were \$200,439 and \$196,992, respectively.

The future minimum operating lease payments as of June 30, 2005 and June 30, 2004 were payable as follows:

<u>Year ending June 30,</u>	<u>2005</u>	<u>2004</u>
2005	-	196,992
2006	210,781	196,992
2007	210,781	196,992
2008	210,781	196,992
2009	210,782	196,992
2010	210,782	196,992
2011-2015	1,018,777	952,128
Minimum operating lease payments	<u>\$ 2,072,684</u>	<u>\$ 2,134,080</u>

Capital leases

WGAA has entered into lease agreements as lessee for financing the acquisition of various equipment items. These lease agreements qualify as capital leases for accounting purposes. The leased assets have been recorded at cost. The assets acquired through capital leases are as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2005 and 2004

	2005	2004
Asset type:		
Machinery and equipment	\$ 2,837,259	\$ 1,375,709
Less: Accumulated depreciation	(263,456)	(201,430)
Total	\$ 2,573,803	\$ 1,174,279

Capital leases result in purchases of capital assets, which are funded by outside entities. Such assets are pledged as collateral against the full payment of the lease obligations. Not all of these assets have been purchased, so the assets do not yet equal the gross lease amount. As of June 30, 2005 and June 30, 2004, the future minimum capital lease obligations and the net present value of these minimum lease payments were payable as follows:

Year ending June 30,	2005	2004
2005		\$ 386,621
2006	\$ 386,621	386,621
2007	361,327	361,327
2008	162,958	162,957
Total minimum lease payments	910,906	1,297,526
Less: amounts representing interest	(39,499)	(77,718)
Present value of minimum lease payments	\$ 871,407	\$ 1,219,808

D. Long-term obligations

WGAA has long-term loans payable from its member governments to provide funds for its shortfall in operating revenues and for capital improvements. Changes in long-term obligations for the year ended June 30, 2005 are as follows:

	June 30, 2004	Increases	Decreases	June 30, 2005	Due Within One Year
Loans payable					
Principal on member loans	\$ 40,863,976	\$ 3,390,000	\$ -	\$ 44,253,976	\$ -
Accrued Interest on member loans	5,796,699	1,399,820	-	7,196,519	-
Member loans payable	46,660,675	4,789,820	-	51,450,495	-
Other Liabilities					
Capital Leases Payable	1,219,808	-	(348,401)	871,407	361,175
Compensated absences	488,864	390,852	(335,644)	544,072	404,555
Business-type long-term liabilities	\$ 48,369,347	\$ 5,180,672	\$ (684,045)	\$ 52,865,974	\$ 765,730

Debt service requirements on long-term loans payable to member governments at June 30, 2005, including future interest based on current repayment schedules, are as follows:

**WILLIAMS GATEWAY AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2005 and 2004**

Year Ending June 30	Principal	Interest
2005	\$ -	\$ -
2006	-	-
2007	-	-
2008	-	-
2009	-	-
2010-2014	-	-
2015-2019	-	-
2020	44,253,976	35,904,219
Total	\$44,253,976	\$ 35,904,219

Loans from Member Governments:

Member governments have by agreement provided annual funding for operations and capital expenditures as follows:

	Year Ended June 30, 2005	Year Ended June 30, 2004
City of Mesa	73.7%	73.7%
Gila River Indian Community	13.3%	13.3%
Town of Gilbert	10.3%	10.3%
Town of Queen Creek	2.7%	2.7%
	<u>100.0%</u>	<u>100.0%</u>

Based on the Joint Powers Airport Authority Agreement entered into by the members of WGAA, all payments made to WGAA by the members are considered loans to be repaid to the members. The intent of the members in providing funds to WGAA is to invest in the operation and development of the airport for the benefit of the citizens of their communities.

The Federal Aviation Administration has established a "six year rule" limiting retroactive reimbursement of contributions unless appropriate documented agreements are in place. In order to maintain WGAA's right to eventually repay contributions made by its members, WGAA and its member governments have drawn up formal promissory notes stating that previous and future payments are to be repaid in the year 2020 or at such later time as WGAA's board of directors deems appropriate, with 3% interest (compounded annually).

Loans payable to member governments increased by \$3,390,000 in principal and \$1,399,820 in interest in fiscal year 2005 and by \$3,390,000 in principal and \$1,260,311 in interest in fiscal year 2004:

Amounts due each member government at year-end (including accrued interest) were:

	2005	2004
City of Mesa	\$ 40,331,824	\$ 36,729,927
Gila River Indian Community	5,012,691	4,429,797
Town of Gilbert	5,063,668	4,576,377
Town of Queen Creek	1,042,312	924,574
Loans Payable to member governments at June 30	<u>\$ 51,450,495</u>	<u>\$ 46,660,675</u>

In addition to the above investments by the member governments, representatives from the City of Mesa, Gila River Indian Community and Towns of Gilbert and Queen Creek provide time to WGAA to consult with its management, attend meetings and provide other services.

WILLIAMS GATEWAY AIRPORT AUTHORITY
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E. Operating lease revenue

WGAA leases out various facilities on the airport. Leases are primarily for office buildings and hangars, but also include ground leases for tenant development. Occasionally WGAA's lease agreements provide for rents based on the tenants' operating revenues or other criteria. Lease income revenue included \$50 and \$55 of such contingent rents in the fiscal years ending June 30, 2005 and 2004, respectively.

The following schedule shows contracted future revenue from noncancelable lease agreements in place at June 30, 2005 and June 30, 2004:

Fiscal Years Ending June 30:	2005	2004
2005	\$ -	\$ 1,408,967
2006	1,271,175	720,455
2007	448,326	465,553
2008	279,844	300,381
2009	308,649	296,283
2010	308,287	296,697
2011 and thereafter	5,229,610	4,900,457
Totals	<u>\$ 7,845,891</u>	<u>\$ 8,388,793</u>

With few exceptions, WGAA's leases include escalation clauses, which will result in increases in future rents. The escalation clauses typically provide for annual rent increases of 5 percent or the change in the Consumer Price Index. Such increases are not included in the above figures.

NOTE 4 - OTHER INFORMATION

A. Risk management

In addition to safety efforts, WGAA's risk management activities include purchase of commercial insurance for all significant risks. Risks retained by WGAA include normal deductibles and the small risk of losses in excess of insurance coverage. The amounts of settlements have not exceeded insurance coverage for the past three years. There have been no significant reductions in insurance coverage. The financial statements do not include any liability for claims at June 30, 2005 and 2004.

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

B. Contingencies

1. Air Force prime lease and deed

In April 1998, the United States Air Force conveyed to WGAA a quitclaim deed for 2,931 acres of real property for the purpose of developing a public airport. Since then, portions of the leased property have been deeded to the airport as environmental clearances have been completed. Thirty-nine (39) acres remain under the 25-year lease, which WGAA entered in January 1996. Together, the deed and long-term lease encompass approximately 3,020 acres of land, which includes the three runways, and 120 buildings or facilities (such as navigational aids). The real property conveyed in the deed was recorded at estimated fair market value at the date of the transfer.

**WILLIAMS GATEWAY AIRPORT AUTHORITY
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Included in Property and Equipment are donated assets (referred to in this note as "the Property") received from the U.S. Air Force (Federal government) totaling \$126,834,309 (net of accumulated depreciation) that are subject to certain restrictions contained in an indenture between the United States of America and WGAA. Under the terms of the deed, this property cannot be sold or transferred and the property must be operated as a public airport. Noncompliance with the terms of the indenture could, at the option of the Federal government, result in the Property reverting back to the United States of America

2. Arizona Department of Transportation

Property and Equipment includes \$35,897,181 (net of accumulated depreciation) in improvements to real property that were paid for (in part) with funds from the Arizona Department of Transportation (ADOT). Such improvements or any real property necessarily connected or used in conjunction therewith cannot be relocated, sold, transferred, exchanged, mortgaged or encumbered in any way without the prior written permission of ADOT.

3. Economic Dependence

WGAA is dependent upon its members to fund its current shortfall in operating activities. Continuation of construction and improvement activities is dependent upon continued support from the federal government and other governmental entities.

C. Related party transactions

WGAA has earned revenues, incurred expenses and made other payments involving some of its member governments. Following is a summary of these transactions:

	WGAA Revenues	WGAA Expenses	WGAA Capital Projects	Sales Taxes Collected/ Remitted
<u>Fiscal Year ended June 30, 2005</u>				
City of Mesa	\$ 7,525	\$ 644,276	\$ 64,744	\$ 128,448
Town of Gilbert	-	-	-	-
Town of Queen Creek	394	-	-	-
<u>Fiscal Year ended June 30, 2004</u>				
City of Mesa	\$ 7,402	\$ 619,628	\$ 2,729,197	\$ 113,981
Town of Gilbert	1,851	-	-	-
Town of Queen Creek	1,257	-	-	-

WGAA revenues above consist of real property leases, utilities billings and minor maintenance work. WGAA expenses include airport rescue and fire fighting protection and permits.

D. Retirement plans

Arizona State Retirement System – Plan Description

WGAA contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board, according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

**WILLIAMS GATEWAY AIRPORT AUTHORITY
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Fiscal Years Ended June 30, 2005 and 2004**

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and WGAA's contribution rate. For the year ended June 30, 2005, active plan members and WGAA were each required by statute to contribute at the actuarially determined rate of 5.70 percent (5.20 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. WGAA's contributions to the System for the years ended June 30, 2005, 2004, and 2003 were \$242,668, \$228,083, and \$98,461, respectively, which were equal to the required contributions for the year.

Deferred Compensation Plans

WGAA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all WGAA employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Trust agreements are in place, making these funds available only to employees and their beneficiaries. Accordingly, these funds are not reflected in WGAA financial statements.

WGAA provides its employees the opportunity to participate in two plans: one administered by **ING Insurance & Annuity Company** and the other by the International City Management Association.

SUPPLEMENTARY INFORMATION

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Williams Gateway Airport Authority
Statement of Revenues and Expenses
Unaudited (Budget Basis)
Fiscal Year Ended June 30, 2005

AIRPORT - All Operations

	2005 Budget	Revised 2005 Budget	Fiscal YTD Actual	% of Budget YTD = 100.0	YTD Actual Over(Under) Ann'l Budget
Operating revenues					
Fueling Sales	9,688,794	9,688,794	12,535,780	0%	2,846,986
Flowage Fees	0	0	0	-	0
Landing Fees	95,522	95,522	132,093	138%	36,571
Lease Income	2,224,784	2,224,784	2,268,373	102%	43,589
Misc. Services	162,219	162,219	208,261	128%	46,042
Tie Down / Hangaring Income	82,696	82,696	111,430	135%	28,734
Total operating revenues	12,254,015	12,254,015	15,255,937	124%	3,001,922
Cost of Goods Sold					
Cost of Goods Sold re Service Work	28,200	28,200	27,140	96%	(1,060)
Cost of Fueling Sales	6,599,763	6,599,763	9,082,974	138%	2,483,211
Total Cost of Sales	6,627,963	6,627,963	9,110,114	137%	2,482,151
Gross Margin	5,626,052	5,626,052	6,145,823	109%	519,771
Operating expenses					
Advertising	55,650	51,150	35,320	69%	(15,830)
Bad Debt Expense	3,000	3,000	3,000	100%	0
Depreciation	7,686,753	7,686,753	7,528,876	98%	(157,876)
Equipment - Office	27,720	37,520	84,064	224%	46,544
Equipment - Operating	23,000	16,700	22,901	137%	6,201
Equipment - Rent	108,835	108,835	97,357	89%	(11,478)
Fringe Benefits	1,432,990	1,432,990	1,380,065	96%	(52,926)
Fuel	47,852	47,852	66,184	138%	18,332
Insurance	277,750	277,750	241,475	87%	(36,275)
Lease Expense (Real Estate)	199,947	199,947	200,439	100%	492
Office Supplies	51,839	48,739	43,185	89%	(5,554)
Operating Supplies	51,855	51,855	59,442	115%	7,587
Other	92,453	91,553	162,078	177%	70,525
Postage & Shipping	15,374	15,374	11,070	72%	(4,304)
Printing	30,700	30,700	14,913	49%	(15,787)
Professional Services	1,108,685	1,115,185	1,112,363	100%	(2,822)
Repair & Maintenance	479,740	479,740	505,076	105%	25,336
Salaries	4,102,066	4,102,066	3,970,129	97%	(131,937)
Telephone/Radio	71,922	71,922	66,350	92%	(5,572)
Training	71,822	70,322	51,423	73%	(18,899)
Travel	69,705	69,705	60,791	87%	(8,914)
Utilities	291,652	291,652	295,068	101%	3,416
Total operating expenses	16,301,310	16,301,310	16,011,569	98%	(289,741)
Operating income (loss)	(10,675,258)	(10,675,258)	(9,865,746)	92%	809,512
Nonoperating revenues (expenses)					
Operating grants-other governments	147,766	147,766	147,766	100%	0
Investment income	52,000	52,000	113,356	218%	61,356
Other income	6,492	6,492	175,541	2704%	169,049
Loss on disposition of assets	0	0	(331,748)	-	(331,748)
Interest expense - member govts	(1,399,820)	(1,399,820)	(1,399,820)	100%	(0)
Interest expense - other	(38,392)	(38,392)	(38,220)	100%	172
Total nonoperating rev (exp)	(1,231,954)	(1,231,954)	(1,333,125)	108%	(101,171)
Income before contributions and transfers	(11,907,212)	(11,907,212)	(11,198,871)	94%	708,341
Capital contributions (capital grants earned)			4,081,130	-	4,081,130
Change in net assets	(11,907,212)	(11,907,212)	(7,117,741)	60%	4,789,471

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