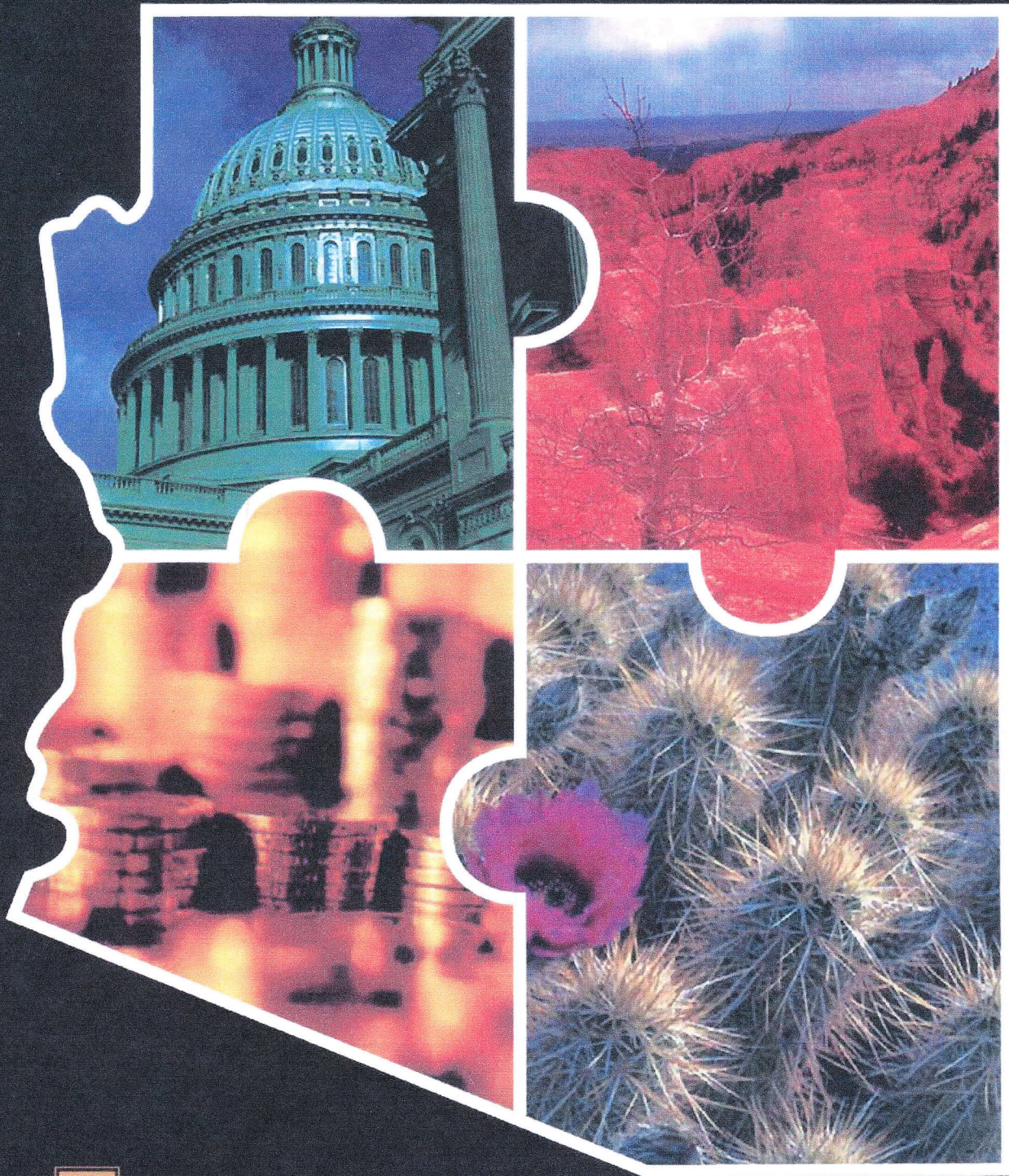


WILLIAMS GATEWAY AIRPORT AUTHORITY
Annual Financial Report • Fiscal Years Ended June 30, 2004 and 2003



CRONSTROM & TRBOVICH
CERTIFIED PUBLIC ACCOUNTANTS

NON-CIRCULATING

WILLIAMS GATEWAY AIRPORT AUTHORITY
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2003

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**WILLIAMS GATEWAY AIRPORT AUTHORITY
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CRONSTROM & TRBOVICH

CERTIFIED PUBLIC ACCOUNTANTS

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, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of William 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, 2004 and 2003, 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 are 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 1, 2004 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, P.C.

Cronstrom & Trbovich, P.C.

October 1, 2004

**WILLIAMS GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2004 and 2003**

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, 2004 and 2003. 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 its liabilities at the end of the fiscal year by \$136,552,404 (net assets). Total net assets includes \$130,486,395 in capital assets net of related debt, \$1,935,366 of the total net assets are restricted for specific uses, and \$4,130,643 in unrestricted net assets.
- Total liabilities (including member loans) increased by \$3,608,651 (7.7%) to \$50,466,930.
- WGAA's operations produced a loss of \$10,028,149 for the fiscal year. Although 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, 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 \$40,863,976 and accrued interest relating to that debt increased by \$1,260,311 to \$5,796,699. (The notes are due in the year 2020.)
- During the year, total net assets decreased by \$8,653,513.
- Sales in WGAA's fueling operation were up 60% to \$9,936,502.

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, 2004 and 2003**

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 \$136,552,404.

Airports are capital-intensive enterprises. Over 95% of WGAA's net assets are invested in capital assets, less any related debt used to acquire those assets that is still 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

	2004	2003
Current and other assets	\$ 8,652,456	\$ 12,506,501
Capital assets, net of accumulated depreciation	<u>178,366,878</u>	<u>179,557,695</u>
Total assets	<u>187,019,334</u>	<u>192,064,196</u>
Long-term liabilities	47,664,262	43,230,559
Other liabilities	<u>2,802,667</u>	<u>3,627,720</u>
Total liabilities	<u>50,466,930</u>	<u>46,858,279</u>
Net assets:		
Invested in capital assets, net of related debt	130,486,395	135,973,351
Restricted	1,935,366	4,658,013
Unrestricted	<u>4,130,643</u>	<u>4,574,553</u>
Total net assets	<u>\$ 136,552,404</u>	<u>\$ 145,205,917</u>

1.4% 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 number represents 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, like the previous year, all three categories of net assets had positive balances.

Net assets decreased by \$8,653,513, or 6.0% from the previous fiscal year-end. This was primarily due to depreciation expense and the use of another year's loans from our member governments for operating expenses. Member loans increased in the fiscal year 2003-04 by \$3,390,000, compared to \$4,565,000 in fiscal year 2002-03. Current and other assets declined, 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 \$1,190,817 less than the year's depreciation expense on capital assets. The \$2,722,647 decrease in restricted assets was primarily due to spending of grant funds on the capital assets designated by the granting agency.

Business-type activities

All of WGAA's activities are classified as business-type activities. Except for a substantial increase in fuel sales, in general, the financial operations of WGAA did not change significantly during the year. The

**WILLIAMS GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2004 and 2003**

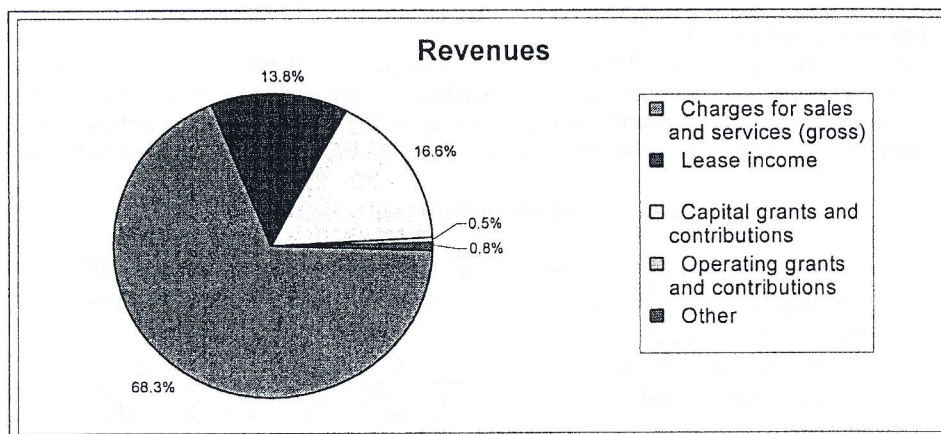
\$8,653,513 decrease in net assets was 3.1% less than the reduction in net assets last year. The change came about as indicated below by the following elements of the revenues and expenses:

Williams Gateway Airport Authority's Changes in Net Assets

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

Revenues:

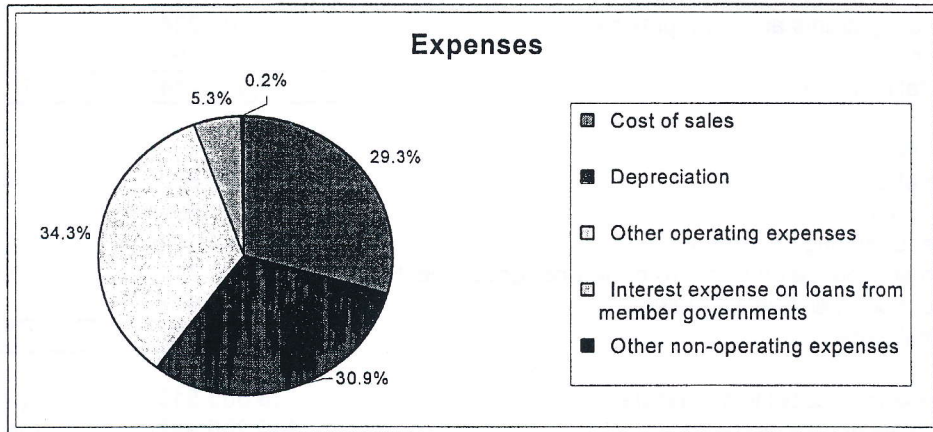
Charges for sales and services increased by \$3,685,471 (56%), primarily due to increased fuel sales, which were up both in volume and prices. Lease income was up 2%. Capital grants and contributions were down by \$755,727 (23%). This is within normal variations in grant funding and spending. The \$82,234 in new activity under operating grants represents the spending during the fiscal year under the marketing grant contributed by City of Phoenix Aviation Department. Other revenues dropped by \$85,323 mostly as a result of reduced investment income. The reduced investment income, in turn, was due to lower interest rates during the year and spending down of investments to support capital projects.



**WILLIAMS GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2004 and 2003**

Expenses:

Cost of sales increased by \$2,798,811 (68%), reflecting the cost of the increased fuel sales. Depreciation expense dropped by \$609,349. The reduction in depreciation expense is primarily due to three pavement items that reached the end of their depreciable lives during the 2002-03 fiscal year, resulting in no depreciation for those items in 2003-04. Other operating expenses increased by \$740,989 (10%). \$451,472 of that represented increased personnel costs, while \$299,318 was due to increased professional services. Interest expense on loans from member governments increased by 169,669 , reflecting the accumulation of accrued interest and the additional interest relating to annual additions to these loans from the member governments.



Budget

WGAA staff prepares a budget annually. It goes 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. The budget and monthly comparisons of actual activity to budget are prepared on a budgetary basis of accounting. There were no significant changes to the budget during the year. 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 \$178,366,878 (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)

	2004	2003
Land and land improvements	\$ 81,979,080	\$ 81,966,448
Buildings and improvements	88,600,690	87,070,976
Machinery and equipment	2,110,589	2,387,134
Construction in Progress	5,676,519	8,133,137
Total capital assets, net	<u>\$ 178,366,878</u>	<u>\$ 179,557,695</u>

**WILLIAMS GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2004 and 2003**

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

- A \$13 million multi-year project to construct a cargo ramp and associated taxiways was completed.
- Most of the work on our Taxiway B storm water drainage project was completed. At year-end \$1,152,748 has been spent on this project.
- Almost all of Phases III and IV of the Sossaman Road project were completed, providing arterial road access through the airport, at a cost of \$2,261,945, which remains in construction-in-progress at year-end. Similarly, development of Velocity Way into our industrial area was almost completed. Spending on WGAA's portion of this shared project was \$870,699. Like other road projects, after final completion, these improvements will be transferred to City of Mesa, which will be responsible for future maintenance.
- Design for an airport fuel farm was completed. Construction in progress on this project at the close of the fiscal year was \$669,710.
- Work began on remodeling the interior of a building for use as a new general aviation terminal. Construction in progress at the end of the fiscal year was \$96,583.
- Design was completed at a cost of \$142,764 for a new taxiway to serve the north general aviation area of the airport.

Long-term debt.

At the end of the current fiscal year, WGAA had total debt outstanding of \$47,880,483. \$46,660,675 (97%) of that 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 \$353,772 (22%) 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

	2004	2003
Loans from Member Governments (including accrued interest)	\$ 46,660,675	\$ 42,010,364
Capital Lease Obligations	1,219,808	1,573,580
Total outstanding debt	\$ 47,880,483	\$ 43,583,944

- During the current fiscal year, WGAA refinanced one of its capital leases to take advantage of favorable interest rates.
- Loans from member governments (principal) increased by \$3,390,000 (9%) during the fiscal year, \$1,175,000 less than the \$4,565,000 increase in loans during the previous year. The accrued interest component of member government loans increased by \$1,260,311 compared to \$1,090,642 in the previous year.

Additional information on WGAA's long-term debt can be found in note 3.E. 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 affecting member governments' abilities to provide this annual funding, however member government support of this kind has been consistent over the last several years. With our largest fueling customer being the federal government, a significant portion of our fueling revenue depends on continuation of military training and other activities that bring government aircraft to the airport. WGAA also depends on capital grants, which have mostly been from the Federal Aviation Administration (FAA) and the Arizona Department of Transportation (ADOT), to

**WILLIAMS GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2004 and 2003**

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.

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, 2004 and 2003

	Business-type Activities - Enterprise Fund	
	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,642,384	\$ 4,348,808
Accounts receivable, net	244,023	208,949
Due from other governments	2,509,708	2,799,006
Prepaid costs	114,305	70,156
Inventories	115,274	131,703
Total current assets	6,625,694	7,558,622
Noncurrent assets:		
Restricted assets	2,026,762	4,947,879
Capital assets:		
Nondepreciable	87,582,127	90,038,745
Depreciable	90,784,751	89,518,950
Total noncurrent assets	180,393,640	184,505,574
Total assets	187,019,334	192,064,196
Liabilities		
Current liabilities:		
Accounts payable	1,628,679	2,297,159
Accrued liabilities	247,739	355,183
Vacation benefits payable	344,667	332,126
Capital lease obligations payable	348,401	353,385
Retirement sick leave payable	12,016	-
Unearned revenue	129,769	63,406
Total current liabilities	2,711,271	3,401,259
Current liabilities payable from restricted assets:		
Tenant deposits	91,396	226,461
Noncurrent liabilities:		
Loans payable to member governments	40,863,976	37,473,976
Accrued interest payable to member governments	5,796,699	4,536,388
Capital leases	871,407	1,220,195
Retirement sick leave payable	132,181	-
Total noncurrent liabilities	47,664,263	43,230,559
Total liabilities	50,466,930	46,858,279
Net assets		
Invested in capital assets, net of related debt	130,486,395	135,973,351
Restricted net assets	1,935,366	4,658,013
Unrestricted net assets	4,130,643	4,574,553
Total net assets	\$ 136,552,404	\$ 145,205,917

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, 2004 AND 2003

	Business-type Activities Enterprise Fund	
	2004	2003
Operating revenues		
Fueling operations	\$ 9,936,502	\$ 6,206,267
Lease income	2,069,647	2,033,298
Maintenance services	119,429	155,487
Airport usage fees	199,797	208,503
Total operating revenues	<u>12,325,375</u>	<u>8,603,555</u>
Operating expenses		
Personnel costs	5,221,227	4,769,755
Professional services	1,108,133	808,814
Cost of goods sold - fueling operations	6,910,027	4,096,924
Costs of maintenance services sold	26,835	41,127
Repair and maintenance	464,462	469,917
Utilities	284,424	264,976
Insurance	239,122	200,492
Other expense	797,337	859,762
Depreciation	7,301,957	7,911,306
Total operating expenses	<u>22,353,524</u>	<u>19,423,073</u>
Operating income (loss)	<u>(10,028,149)</u>	<u>(10,819,518)</u>
Nonoperating revenues (expenses)		
Operating grants from other governments	82,234	-
Investment income	112,690	183,783
Investment loss	-	(212,848)
Other income	4,865	19,095
Gain/(loss) on disposition of assets	-	(178,855)
Interest expense - notes payable to member governments	(1,260,311)	(1,090,642)
Interest expense - other	(53,923)	(75,777)
Total nonoperating revenues (expenses)	<u>(1,114,445)</u>	<u>(1,355,244)</u>
Income before contributions and transfers	(11,142,594)	(12,174,762)
Capital contributions	<u>2,489,081</u>	<u>3,244,808</u>
Change in net assets	(8,653,513)	(8,929,954)
Net assets, beginning of year	<u>145,205,917</u>	<u>154,135,871</u>
Net assets, end of year	<u>\$ 136,552,404</u>	<u>\$ 145,205,917</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
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2003**

	Business-type Activities - Enterprise Funds	
	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Receipts from customers	\$ 11,764,163	\$ 8,548,602
Payments to employees	(5,171,934)	(4,755,021)
Payments to suppliers	(11,224,362)	(4,972,228)
Customer deposits	(135,065)	65,810
Net cash flows from operating activities	<u>(4,767,198)</u>	<u>(1,112,837)</u>
Cash flows from non-capital financing activities		
Loans from member governments	3,390,000	4,541,850
Operating grants from other governments	100,000	-
Net cash flows from non-capital financing activities	<u>3,490,000</u>	<u>4,541,850</u>
Cash flows from capital and financing activities		
Acquisition of capital assets (net)	(5,413,317)	(11,185,217)
Principal paid on capital leases	(353,772)	(442,485)
Interest paid on capital leases	(53,923)	(16,181)
Capital grants received	3,353,114	7,229,653
Net cash flows from capital and financing activities	<u>(2,467,898)</u>	<u>(4,414,230)</u>
Cash flows from investing activities		
Investment income	112,690	188,490
Investment loss	-	(212,848)
Other income/expense	4,865	(40,502)
Net cash flows from investing activities	<u>117,555</u>	<u>(64,860)</u>
Net change in cash and cash equivalents	(3,627,541)	(1,050,077)
Cash and cash equivalents, beginning of year	<u>9,296,687</u>	<u>10,346,764</u>
Cash and cash equivalents, end of year	<u>\$ 5,669,146</u>	<u>\$ 9,296,687</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and cash equivalents	\$ 3,642,384	\$ 4,348,808
Restricted assets	2,026,762	4,947,879
Total	<u>\$ 5,669,146</u>	<u>\$ 9,296,687</u>

(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
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2003**

	Business-type Activities - Enterprise Funds	
	2004	2003
(Concluded)		
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (10,028,149)	\$ (10,819,518)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	7,301,957	7,911,306
Change in assets/liabilities:		
Accounts receivable	(673,215)	(54,953)
Prepaid costs	(44,149)	14,714
Inventories	16,429	25,643
Accounts payable and accrued liabilities	(1,473,747)	1,736,503
Unearned revenue	112,003	-
Customer deposits	(135,065)	65,810
Compensated absences payable	156,738	7,658
Net cash provided (used) by operating activities	\$ (4,767,198)	\$ (1,112,837)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The Authority recognized \$1,260,311 and \$1,090,642 of interest payable on loans from member governments during the fiscal years 2004 and 2003, 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, 2004 and 2003

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

WILLIAMS GATEWAY AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2004 and 2003

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 13% to 18% 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
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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 years ended June 30, 2004 and 2003, 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, 2004 and 2003**

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. Change in accounting policy

WGAA implemented GASB 34 for the fiscal year ended June 30, 2004 and therefore certain balances for June 30, 2003 were restated for comparison purposes: however, net assets were not affected.

B. Assets

1. Deposits and investments

Deposits and investments at June 30, 2004 and 2003 consist of the following:

	<u>2004</u>	<u>2003</u>
Deposits		
Cash on hand	\$ 1,225	\$ 1,225
Cash in bank	9,830	4,024
Investments		
Money Market Mutual Fund	106,311	2,982
State Treasurer's Investment Pool	4,458,279	7,751,896
Cash on deposit with trustee	1,093,501	1,536,560
Total deposits and investments	<u>5,669,146</u>	<u>9,296,687</u>
Less: restricted assets	<u>(2,026,762)</u>	<u>(4,947,879)</u>
Total cash and equivalents	<u>\$ 3,642,384</u>	<u>\$ 4,348,808</u>

Deposits - WGAA's deposits at June 30, 2004, 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, 2004 of \$3,935,351 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.

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, 2004, 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.

WILLIAMS GATEWAY AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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:

	1	Category 2	3	Reported Amount & Fair Value
Repurchase agreements	\$ 106,311	\$ -	\$ 1,093,501	\$ 1,199,812
Investments not subject to categorization:				
State Treasurer's investment pool				4,458,279
Total investments				\$ 5,658,091

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:

	2004	2003
Customer Deposits	\$ 91,396	\$ 226,461
Deferred grants	-	63,405
State appropriation and related interest	841,865	3,121,453
Cash held in escrow for purchase of equipment	1,093,501	1,536,560
Total restricted assets	\$ 2,026,762	\$ 4,947,879

3. Receivables

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

	2004	2003
Trade Receivables	\$ 1,126,377	\$ 488,236
Grants Receivable	1,383,331	2,310,770
Total due from other governments	\$ 2,509,708	\$ 2,799,006
Total Accounts Receivables	\$ 279,164	\$ 254,729
Less Allowance for Uncollectible Accounts	(35,141)	(45,780)
Accounts receivable, net	\$ 244,023	\$ 208,949

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4. Capital assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance 6/30/03	Increases	Decreases	Ending Balance 6/30/04
Capital assets not being depreciated				
Land	\$ 81,905,608	\$ -	\$ -	\$ 81,905,608
Construction in progress	8,133,137	6,111,140	(8,567,758)	5,676,519
Total capital assets not being depreciated	<u>\$ 90,038,745</u>	<u>\$ 6,111,140</u>	<u>\$(8,567,758)</u>	<u>\$ 87,582,127</u>
Capital assets being depreciated				
Land improvements	\$ 80,229	\$ 18,742	\$ -	\$ 98,971
Buildings and improvements	124,912,668	8,403,494	-	133,316,162
Machinery and equipment	4,413,692	145,522	(17,638)	4,541,576
Total capital assets being depreciated	<u>\$129,406,589</u>	<u>\$ 8,567,758</u>	<u>\$ (17,638)</u>	<u>\$137,956,709</u>
Less accumulated depreciation for:				
Land improvements	\$ 19,389	\$ 6,110	\$ -	\$ 25,499
Buildings and improvements	37,841,692	6,873,780	-	44,715,472
Machinery and equipment	2,026,558	422,067	(17,638)	2,430,987
Total accumulated depreciation	<u>\$ 39,887,639</u>	<u>\$ 7,301,957</u>	<u>\$ (17,638)</u>	<u>\$ 47,171,958</u>
Total capital assets being depreciated, net	<u>\$ 89,518,950</u>	<u>\$ 1,265,801</u>	<u>\$ -</u>	<u>\$ 90,784,751</u>
Business-type activities capital assets, net	<u>\$179,557,695</u>	<u>\$ 7,376,941</u>	<u>\$(8,567,758)</u>	<u>\$178,366,878</u>

C. Purchase Commitments

As of June 30, 2004, 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 2004</u>	<u>June 30, 2003</u>
Open purchase commitments (net of cost of goods and services received against these commitments)	\$1,970,000	\$ 1,850,000
Portion of above funded by grants	\$1,410,000	\$ 1,020,000

WGAA had 20 active design or construction projects at June 30, 2004. These projects are expected to cost a total of \$10.3 million, of which \$5.1 million has been committed and \$3.2 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
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<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Contract</u>
Airport Fuel Farm	\$ 450,617	\$ 380,962
Design & Construct Taxiway F	-	1,305,034
Taxiway B Drainage	289,700	65,709
Other	723,490	184,684
Total	<u>\$ 1,463,807</u>	<u>\$ 1,936,389</u>

D. 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 \$2,134,080 plus agreed 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, 2004 and 2003 were \$196,992 and \$180,576, respectively.

The future minimum operating lease payments as of June 30, 2004 and June 30, 2003 were payable as follows:

<u>Year ending June 30,</u>	<u>2004</u>	<u>2003</u>
2004	\$ -	\$ 196,992
2005	196,992	196,992
2006	196,992	196,992
2007	196,992	196,992
2008	196,992	196,992
2009	196,992	196,992
2010-2014	984,960	984,960
2015-2019	164,160	164,160
Minimum operating lease payments	<u>\$ 2,134,080</u>	<u>\$ 2,331,072</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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	2004	2003
Asset type:		
Machinery and equipment	\$ 1,375,709	\$ 967,723
Less: Accumulated depreciation	(201,430)	(153,780)
Total	\$ 1,174,279	\$ 813,943

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, 2004 and June 30, 2003, the future minimum capital lease obligations and the net present value of these minimum lease payments were payable as follows:

Year ending June 30,	2004	2003
2004		\$ 408,170
2005	\$ 386,621	388,522
2006	386,621	388,522
2007	361,327	362,436
2008	162,957	162,957
Total minimum lease payments	1,297,526	1,710,607
Less: amounts representing interest	(77,718)	(137,027)
Present value of minimum lease payments	\$ 1,219,808	\$ 1,573,580

E. 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, 2004 are as follows:

	June 30, 2003	Increases	Decreases	June 30, 2004	Due Within One Year
Loans payable					
Principal on member loans	\$37,473,976	\$3,390,000	\$ -	\$40,863,976	\$ -
Accrued Interest on member loans	4,536,388	1,260,311	-	5,796,699	-
Member loans payable	42,010,364	4,650,311	-	46,660,675	-
Other Liabilities					
Capital Leases Payable	1,573,580	-	(353,772)	1,219,808	348,401
Compensated absences	332,126	504,836	(348,098)	488,864	356,683
Business-type long-term liabilities	\$43,916,070	\$5,155,147	\$(701,870)	\$48,369,347	\$705,084

Debt service requirements on long-term loans payable to member governments at June 30, 2004, including future interest based on current repayment schedules, are as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2004 and 2003**

Year Ending June 30	Principal	Interest
2005	\$ -	\$ -
2006	-	-
2007	-	-
2008	-	-
2009	-	-
2010-2014	-	-
2015-2019	-	-
2020	40,863,976	34,012,709
Total	<u>\$40,863,976</u>	<u>\$ 34,012,709</u>

Loans from Member Governments:

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

	For Year Ended June 30, 2004	For Year Ended June 30, 2003
City of Mesa	73.7%	78.0%
Gila River Indian Community	13.3%	10.0%
Town of Gilbert	10.3%	10.0%
Town of Queen Creek	2.7%	2.0%
	<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 \$1,260,311 in interest in fiscal year 2004 and by \$4,565,000 in principal and \$1,090,642 in interest in fiscal year 2003:

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

	2004	2003
City of Mesa	\$ 36,729,927	\$ 33,232,939
Gila River Indian Community	4,429,797	3,863,881
Town of Gilbert	4,576,377	4,103,278
Town of Queen Creek	924,574	810,266
Loans Payable to member governments at June 30	<u>\$ 46,660,675</u>	<u>\$ 42,010,364</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
NOTES TO THE BASIC FINANCIAL STATEMENTS
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F. 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 \$55 and \$0 of such contingent rents in the fiscal years ending June 30, 2004 and 2003, respectively.

The following schedule shows contracted future revenue from noncancelable lease agreements in place at June 30, 2004 and June 30, 2003:

Fiscal Years Ending June 30:	<u>2004</u>	<u>2003</u>
2004	\$ -	\$ 1,191,916
2005	1,408,967	846,048
2006	720,455	525,787
2007	465,553	279,892
2008	300,381	231,218
2009	296,283	168,018
2010 and thereafter	<u>5,197,154</u>	<u>2,138,763</u>
Totals	<u>\$ 8,388,793</u>	<u>\$ 5,381,642</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, 2004 and 2003.

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 booked at estimated fair market value at the date of the transfer.

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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 \$131,659,650 (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 \$32,848,117 (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:

<u>Fiscal Year ended June 30, 2004</u>	<u>WGAA Revenues</u>	<u>WGAA Expenses</u>	<u>WGAA Capital Projects</u>	<u>Sales Taxes Collected/ Remitted</u>
City of Mesa	\$ 7,402	\$ 619,628	\$2,729,197	\$ 113,981
Town of Gilbert	1,851	-	-	-
Town of Queen Creek	1,257	-	-	-
 <u>Fiscal Year ended June 30, 2003</u>				
City of Mesa	\$ 4,514	\$ 530,492	\$5,789,513	\$ 90,393
Town of Gilbert	7,494	-	-	-
Town of Queen Creek	2,492	-	-	-

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. The construction of Sossaman Road and Velocity Way on the airport has been a joint effort of the City of Mesa and WGAA. Each party has paid their agreed share of these projects. On completion, the roads have been or will be transferred to City of Mesa, which is then responsible for maintaining them. In fiscal year 2003, WGAA recorded a transfer of the first two phases of the Ray/Sossaman Road improvements to City of Mesa. The book value of the transferred assets (which were constructed with grant funds) was \$5,787,923. Fiscal year 2004's portion of these capital projects remain in Construction In Progress, since they were not yet completed at year-end.

**WILLIAMS GATEWAY AIRPORT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2004 and 2003**

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.

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, 2004, 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, 2004, 2003, and 2002 were \$228,083, \$98,461, and \$90,167, 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)
June 30, 2004

AIRPORT - All Operations (Excludes capital/grant costs and funding)

	2004 Budget	Revised 2004 Budget	Fiscal YTD Actual	% of Budget YTD = 100.0	YTD Actual Over(Under) Ann'l Budget
INCOME					
Fueling Sales	7,376,252	7,376,252	9,890,017	134%	2,513,765
Landing Fees	116,336	116,336	117,657	101%	1,321
Lease Income	2,190,981	2,190,981	2,069,647	94%	(121,334)
Misc. Services	129,244	129,244	165,914	128%	36,670
Tie Down / Hangaring Income	93,960	93,960	82,140	87%	(11,820)
Total Airport Revenues	<u>9,906,773</u>	<u>9,906,773</u>	<u>12,325,375</u>	<u>124%</u>	<u>2,418,602</u>
Local Member Contributions					
Direct	2,944,332	2,944,332	2,944,332	100%	0
Total Local Contributions	<u>2,944,332</u>	<u>2,944,332</u>	<u>2,944,332</u>	<u>100%</u>	<u>0</u>
Grant Income	70,000	70,000	100,000	143%	30,000
Other Income					
Interest Income	71,000	71,000	72,193	102%	1,193
Sale of Publications, Other	7,800	7,800	4,865	62%	(2,935)
Total Other Income	<u>78,800</u>	<u>78,800</u>	<u>77,058</u>	<u>98%</u>	<u>(1,742)</u>
Gross Income	<u>12,999,905</u>	<u>12,999,905</u>	<u>15,446,765</u>	<u>119%</u>	<u>2,446,860</u>
Cost of Goods Sold					
Cost of Goods Sold re Service Work	25,200	25,200	26,835	106%	1,635
Cost of Fueling Sales	4,941,766	4,890,750	6,910,027	141%	2,019,277
Total Cost of Sales	<u>4,966,966</u>	<u>4,915,950</u>	<u>6,936,862</u>	<u>141%</u>	<u>2,020,912</u>
Gross Margin	<u>8,032,939</u>	<u>8,083,955</u>	<u>8,509,903</u>	<u>105%</u>	<u>425,948</u>
EXPENSES					
Advertising	48,320	43,820	28,041	64%	(15,779)
Equipment - Office	14,545	24,345	26,503	109%	2,158
Equipment - Operating	29,300	23,000	17,656	77%	(5,344)
Equipment - Rent	553,094	553,094	469,133	85%	(83,961)
Fringe Benefits	1,302,308	1,302,308	1,414,539	109%	112,231
Fuel	43,602	43,602	55,124	126%	11,522
Insurance	254,392	254,392	239,122	94%	(15,270)
Lease Expense (Real Estate)	196,992	196,992	196,992	100%	0
Office Supplies	49,375	46,275	40,953	88%	(5,322)
Operating Supplies	53,380	53,380	68,318	128%	14,938
Other	38,289	88,405	82,265	93%	(6,140)
Postage & Shipping	17,144	17,144	6,579	38%	(10,565)
Printing	36,050	36,050	21,719	60%	(14,331)
Professional Services	1,048,073	1,054,573	1,108,133	105%	53,560
Repair & Maintenance	411,580	411,580	385,404	94%	(26,176)
Salaries	3,826,789	3,826,789	3,806,688	99%	(20,100)
Telephone/Radio	127,388	127,388	90,317	71%	(37,071)
Training	84,959	83,459	63,816	76%	(19,643)
Travel	69,705	69,705	35,632	51%	(34,073)
Utilities	291,652	291,652	284,424	98%	(7,228)
Total Expenses	<u>8,496,935</u>	<u>8,547,951</u>	<u>8,441,358</u>	<u>99%</u>	<u>(106,593)</u>
Income Over/(Under) Expenditures	<u>(463,996)</u>	<u>(463,996)</u>	<u>68,545</u>	<u>-15%</u>	<u>532,541</u>

This budget-basis report is designed to show results of operations compared to our annual operating budget. It is not intended to represent financial position or results of operations under Generally Accepted Accounting Principles.

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