PHOENIX-MESA GATEWAY AIRPORT AUTHORITY

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021

THIS PAGE BLANK

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021

THIS PAGE BLANK

INDEPENDENT AUDITORS' REPORT

Board of Directors
Phoenix-Mesa Gateway Airport Authority
Mesa, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Phoenix-Mesa Gateway Airport Authority (PMGAA), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise PMGAA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to PMGAA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PMGAA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of PMGAA as of June 30, 2021, and the change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of PMGAA's proportionate share of the net pension liability and contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise PMGAA's basic financial statements. The statement of revenues and expenses (budget basis), presented in the other information section, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Board of Directors
Phoenix-Mesa Gateway Airport Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2021, on our consideration of the PMGAA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PMGAA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PMGAA's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
September 14, 2021

THIS PAGE BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE BLANK

The management of Phoenix-Mesa Gateway Airport Authority (PMGAA) offers readers this overview and analysis of PMGAA's financial statements and activities for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of PMGAA exceeded the liabilities and deferred inflows of resources at the close of the most recent fiscal year by $310.9 million (net position). Total net position increased by $24.1 million during the fiscal year.
- PMGAA's operating revenues increased $0.7 million (3.1%) from the prior fiscal year.
- During the current year, member governments contributed $4.06 million to PMGAA. These contributions were utilized to fund capital projects at PMGAA.
- Intergovernmental Revenue increased $9.3 million due to receipt of CARES Act and CRRSAA Act funding.
- PMGAA's operations resulted in a net operating loss of $12.4 million for the fiscal year. This loss is attributable to non-cash depreciation expense on assets. These assets were contributed by the federal government, acquired with the aid of grants or constructed using contributions from PMGAA's member governments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to PMGAA's basic financial statements. PMGAA's basic financial statements are divided into four sections:

1. Fund financial statements.
2. Notes to the basic financial statements.
3. Required supplementary information other than MD&A.
4. Other supplementary information.

As PMGAA presents only one fund type, separate government-wide financial statements have not been prepared.

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, PMGAA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Unlike most other governments, which have multiple funds, all PMGAA's activities are business-type activities and are accounted for in a single proprietary fund.

Proprietary funds. PMGAA 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 11 - 14 of this report.

The *statement of net position* presents information on PMGAA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being shown as net position.

The *statement of revenues, expenses and change in net position* presents information on how PMGAA's net position changed during the fiscal year.

All changes in net position are reported as soon as the underlying events giving rise to the changes occur, 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.

The *statement of cash flows* presents PMGAA's cash flow (sources and uses) related to operating activities, non-capital financing activities, capital financing activities, and investing activities during the year.

Notes to Basic Financial Statements
The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to basic financial statements can be found on pages 15 - 36 of this report.

Required Supplementary Information other than MD&A
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information related to PMGAA's pension plan as required by the Governmental Accounting Standards Board (GASB) to supplement information found in the notes to the basic financial statements. These schedules are included at pages 37 - 38 of this report.

Other Information
PMGAA annually prepares a full capital and operating budget, which is submitted to the Board of Directors for approval during the spring of each year. Although the budget is not legally binding, it is an important management tool used throughout the fiscal year. During the fiscal year, actual activity is compared to the budget on a monthly basis to assess operating results.

Budget to actual results for the full year, presented on a budgetary basis, are included as other information on page 39 of this report.

FINANCIAL ANALYSIS

Net position represents the accrued results of a government's operations and, over time, increases or decreases in net position may serve as a useful indicator of whether PMGAA's financial position is improving or deteriorating. At the end of the fiscal year, PMGAA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $310.9 million.

Airports are capital-intensive enterprises. 81.3% of PMGAA's net position is invested in capital assets (net of any outstanding debt used to acquire those assets).

PMGAA 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 PMGAA's investment in its capital assets is reported net of related debt, the resources needed to pay such debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of PMGAA's net position (0.4%) represents resources which are subject to external restrictions with respect to how they may be used. The remaining balance of unrestricted net position (18.3%) may be used to meet PMGAA's ongoing obligations.

The table below presents a summary of PMGAA's net position for the fiscal years ended June 30, 2021 and 2020.

Phoenix-Mesa Gateway Airport Authority's Net Position
June 30, 2021 and 2020

	Business-Type Activities	
	2021	2020
ASSETS		
Current and Other Assets	$ 75,690,585	$ 53,144,186
Capital Assets, Net of Accumulated Depreciation	267,338,365	262,994,392
Total Assets	343,028,950	316,138,578
DEFERRED OUTFLOWS OF RESOURCES	2,007,657	1,300,506
LIABILITIES		
Current and Other Liabilities	6,943,032	4,080,632
Long-Term Liabilities	27,168,544	25,992,919
Total Liabilities	34,111,576	30,073,551
DEFERRED INFLOWS OF RESOURCES	-	565,555
NET POSITION		
Net Investment in Captial Assets	252,750,898	247,850,683
Restricted	1,108,767	2,037,810
Unrestricted	57,065,366	36,911,485
Total Net Position	$ 310,925,031	$ 286,799,978

Net position increased by $24.1 million (8.4%) from the previous fiscal year-end driven by increases in intergovernmental revenue resulting from PMGAA's CARES Act and CRRSAA Act grants.

Net investment in capital assets increased $4.9 million from the prior year as the acquisition of new assets exceeded depreciation in the current year and PMGAA continued to pay down debt. Restricted net position decreased $0.9 million in the current year as PMGAA completed work on a large infrastructure project funded with restricted funds. The increase in unrestricted net position ($20.2 million) reflects increased intergovernmental revenues as noted above.

Changes in Net Position

The table below presents the significant elements of revenue and expenses for PMGAA comparatively for the current and prior fiscal year.

Phoenix-Mesa Gateway Airport Authority's Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	Business-Type Activities	
	2021	2020
REVENUES		
Charges for Sales and Services	$ 19,354,061	$ 18,540,769
Lease Income	5,590,431	5,664,196
Capital Grants and Contributions	17,114,163	13,594,411
Other	20,154,067	14,169,948
Total Revenues	62,212,722	51,969,324
EXPENSES		
Cost of Sales	2,984,075	3,450,456
Other Operating Expenses	17,249,160	17,616,128
Depreciation	17,091,629	15,868,570
Non-Operating Expenses	762,805	811,381
Total Expenses	38,087,669	37,746,535
CHANGE IN NET POSITION	24,125,053	14,222,789
Net Position - Beginning of Year	286,799,978	272,577,189
NET POSITION - END OF YEAR	$ 310,925,031	$ 286,799,978

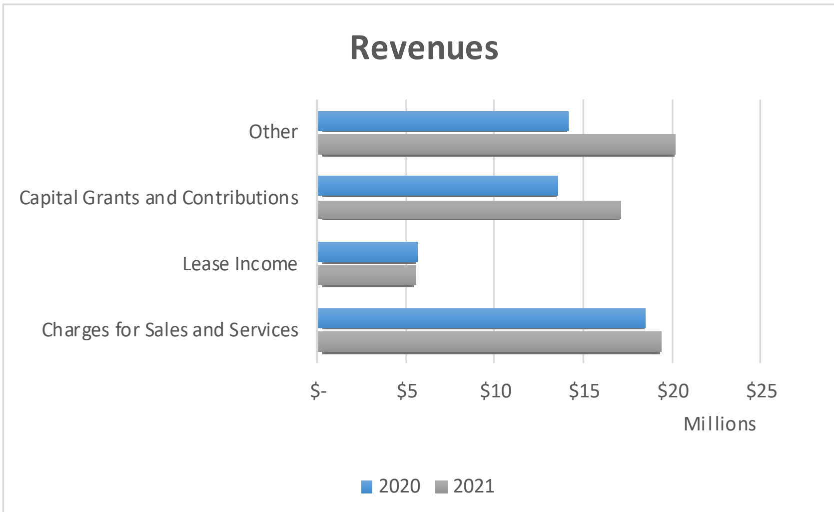
Revenues

Overall revenues increased $10.2 million from the previous fiscal year, generally as a result of PMGAA's CARES Act and CRRSAA Act grant funding. While PMGAA was not immune to the substantial declines in both passenger and broader aeronautical activity because of the coronavirus pandemic, PMGAA's focus on leisure and general aviation traffic resulted in smaller declines in overall activity at the airport and moderated the pandemic related losses suffered by PMGAA. Beyond the revenue increases attributed to the CARES and CRRSAA Grants, PMGAA's Fueling Operations saw a return to growth in the current year ($0.9 million) driven largely by heavy fire fighting aircraft activity at the airport supporting the U.S. Forest Service's fire fighting operations in the state.

The increase in capital grants and contributions was driven by changes in PMGAA's grant awards from the Federal Aviation Administration (FAA). For the current fiscal year, PMGAA received grant awards from the FAA for the construction of a new air traffic control tower, replacing the current Air Force-era air traffic control tower, which is both too short and too small to meet the growing air traffic control needs of the airport.

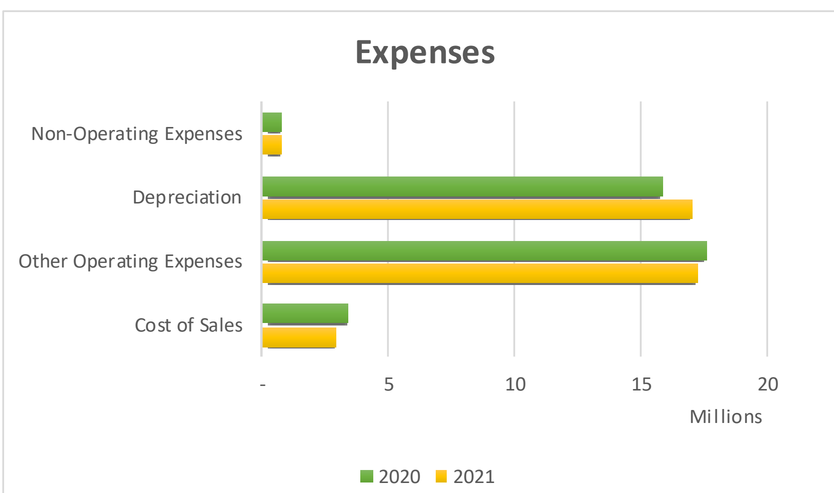
As a result of the coronavirus pandemic, Congress passed the CARES Act in March of 2020, which included funding for airports through the federal Airport Improvement Program. The funding may be used to cover operating expenses of the airport. This funding was supplemented in December of 2020 with the passage of the CRRSAA Act which provided additional funding through the Airport Improvement Program to cover operating expenses of the Airport.

Funds received through these grant programs is reflected in the increase in other revenues ($6.8 million). The increase in intergovernmental revenue ($9.3 million) is partially offset by declines in investment income ($0.9 million) due to overall market softening with the advent of the pandemic, and a decrease in gain from disposition of assets ($2.2 million) as PMGAA sold a hangar facility in the prior year to a private tenant with no similar transaction in the current year.



Expenses

Despite facing increased costs related to the pandemic, PMGAA was able to hold overall expenses to within $0.4 million (1%) of the prior fiscal year. The largest driver of expense increase was depreciation expense ($1.2 million), resulting from an increase in assets from the previous year. PMGAA saw additional increases in repair and maintenance costs ($0.1 million) due to pandemic response activities. These increases were offset by declines in personnel costs (1.6% savings from the prior year) and cost of goods sold ($0.5 million or 13.5%) due to declines in fuel prices during the year.



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At June 30, 2021, PMGAA's capital assets totaled $267.3 million (net of accumulated depreciation). Capital assets include land; runways, taxiways, and apron areas; buildings; improvements; machinery, vehicles, and equipment. A large majority of these assets were contributed to PMGAA directly or were purchased with the aid of federal and state grants.

Capital assets (Net)
June 30, 2021 and 2020

	Business-Type Activities	
	2021	2020
Land	$ 91,188,500	$ 87,769,177
Construction in Progress	15,852,409	16,560,668
Buildings & Improvements	45,714,515	50,480,131
Infrastructure	104,123,390	97,096,838
Machinery & Equipment	10,459,551	11,087,578
	$ 267,338,365	$ 262,994,392

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

- Construction of Taxiway Kilo RIM Project ($8.8 million)
- Construction Phase of New Air Traffic Control Tower Project ($13.3 million)
- Fuel Storage Expansion ($1.2 million)
- Ellsworth Channel Relocation Project ($10.3 million)
- Lifecycle vehicle replacements ($0.3 million)
- GPU Replacements ($0.3 million)

Additional information on PMGAA's capital assets may be found in the notes to the basic financial statements in Note 3.A.4 and 3.B.

Long-term debt

At the end of the current fiscal year, PMGAA had total debt outstanding of $16.4 million. Payments on PMGAA's outstanding special facilities revenue bonds are funded through lease payments from the City of Mesa, Arizona, and secured via pledged excise tax revenue by the City of Mesa through its lease and financing agreement with PMGAA.

Overall, PMGAA's outstanding debt decreased $0.5 million from the prior fiscal year due to regularly scheduled principal payments.

The following schedule shows the outstanding debt of PMGAA as of June 30, 2021 and 2020.

Additional information on PMGAA's long-term debt may be found in the notes to the basic financial statements in Note 3.C.

Outstanding Debt
June 30, 2021 and 2020

	Business-Type Activities	
	2021	2020
Special Facility Revenue Bonds	$ 15,995,000	$ 16,505,000
Unamortized Premium on Bonds	444,467	470,612
	$ 16,439,467	$ 16,975,612

ECONOMIC FACTORS

PMGAA depends on annual contributions from its member governments to cover some of its capital costs. This makes PMGAA 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 PMGAA's largest fueling customers being the government and commercial airlines, a significant portion of fueling revenue depends on continuation of military activity and commercial passenger operations.

PMGAA also depends on capital grants, mostly from the FAA and the Arizona Department of Transportation (ADOT), to continue its current level of capital improvement and renewal programs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of PMGAA'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 Chief Financial Officer, Phoenix-Mesa Gateway Airport Authority, 5835 S. Sossaman Road, Mesa, AZ 85212.

THIS PAGE BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE BLANK

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021

		Business-type Activities Proprietary Fund
ASSETS		
Current Assets:		
Cash and Investments	$	66,076,561
Accounts Receivable, Net		941,367
Due from Other Governments		2,599,355
Prepaid Costs		664,298
Inventory		237,764
Restricted Assets:		
Restricted Cash and Investments		406,547
Cash with Fiscal Agent		924,475
Cash with Trustee		1,322,000
Customer Deposits		1,815,998
Accounts Receivable		702,220
Total Current Assets		75,690,585
Noncurrent Assets:		
Capital Assets:		
Non-Depreciable		107,040,909
Depreciable, Net		160,297,456
Total Noncurrent Assets		267,338,365
Total Assets		343,028,950
DEFERRED OUTFLOWS OF RESOURCES		2,007,657
LIABILITIES		
Current Liabilities:		
Accounts Payable		3,259,556
Accrued Liabilities		424,624
Current Liabilities Payable from Restricted Assets:		
Customer Deposits		1,815,998
Interest Payable		394,475
Current Portion of Long-Term Liabilities:		
Bonds and Loans Payable		530,000
Compensated Absences		518,379
Total Current Liabilities		6,943,032
Noncurrent liabilities:		
Bonds and Loans Payable		15,909,467
Compensated Absences		435,200
Net Pension Liability		10,823,877
Total Noncurrent Liabilities		27,168,544
Total Liabilities		34,111,576
NET POSITION		
Net Investment in Capital Assets		252,750,898
Restricted for Capital Outlay		1,108,767
Unrestricted		57,065,366
Total Net Position	$	310,925,031

See accompanying Notes to Basic Financial Statements.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2021

	Business-type Activities Proprietary Fund
OPERATING REVENUES	
Fueling Operations	$ 11,725,509
Lease Income	5,590,431
Maintenance Services	312,612
Airport Usage Fees	7,315,940
Total Operating Revenues	24,944,492
OPERATING EXPENSES	
Personnel Costs	9,423,675
Professional Services	4,738,626
Cost of Goods Sold - Fueling Operations	2,914,390
Cost of Goods Sold - Maintenance Services	69,685
Repair and Maintenance	589,838
Utilities	849,054
Insurance	526,706
Other Expense	1,121,261
Depreciation	17,091,629
Total Operating Expenses	37,324,864
Operating Loss	(12,380,372)
NONOPERATING REVENUE (EXPENSES)	
Investment Income	93,061
PFC Income	3,002,923
CFC Income	636,933
Other Income	1,113
Gain from Disposition of Assets	984
Intergovernmental Revenue	16,419,053
Interest Expense	(762,805)
Total Nonoperating Revenues (Expenses)	19,391,262
Income Before Capital Grants and Contributions	7,010,890
Capital Grants and Contributions	17,114,163
Change in Net Position	24,125,053
Total Net Position - Beginning of Year	286,799,978
TOTAL NET POSITION - END OF YEAR	$ 310,925,031

See accompanying Notes to Basic Financial Statements.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2021

		Business-type Activities Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	24,558,549
Payments to Employees		(8,771,102)
Payments to Suppliers		(11,329,758)
Customer Deposits and Prepayments		763,089
Net Cash Flows Provided by Operating Activities		5,220,778
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants from Other Governments		12,742,531
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction and Acquisition of Capital Assets		(19,190,289)
Capital Contributions from Member Governments		4,060,000
Capital Grants from Other Governments		18,852,072
Passenger Facility Charges received		2,570,767
Customer Facility Charges received		616,523
Proceeds from Sale of Equipment		71,001
Principal Paid on Capital Debt		(510,000)
Interest Paid on Capital Debt		(799,150)
Net Cash Flows Provided by Capital and Related Financing Activities		5,670,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		93,061
Other Income (Expense)		1,113
Net Cash Flows Provided by Investing Activities		94,174
NET CHANGE IN CASH AND CASH EQUIVALENTS		23,728,407
Cash and Cash Equivalents - Beginning of Year		46,817,174
CASH AND CASH EQUIVALENTS - END OF YEAR	$	70,545,581
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	$	66,076,561
Restricted cash		4,469,020
Total Cash and Cash Equivalents	$	70,545,581

(Continued)

See accompanying Notes to Basic Financial Statements.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2021

(Concluded)

	Business-type Activities Proprietary Fund	
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$	(12,380,372)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation		17,091,629
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:		
Accounts Receivable		(13,850)
Prepaid Costs		(405,460)
Inventories		(67,503)
Accounts Payable and Accrued Liabilities		114,654
Unearned Revenue		(372,093)
Tenant Deposits		763,089
Deferred Outflows Related to Pension		(707,151)
Deferred Inflows Related to Pension		(565,555)
Net Pension Liability		1,773,053
Compensated Absences		(9,663)
Net Cash Provided by Operating Activities	$	5,220,778
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Loss on Disposal of Capital Assets	$	(70,017)
Amortization of Bond Issue Premium		26,145
Net Non-Cash Investing, Capital, and Financing Activities	$	(43,872)

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

THIS PAGE BLANK

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Phoenix-Mesa Gateway Airport Authority (PMGAA) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of PMGAA's more significant accounting policies follows.

A. Reporting Entity

Phoenix-Mesa 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. Originally incorporated as Williams Gateway Airport Authority, PMGAA's name was officially changed to Phoenix-Mesa Gateway Airport Authority on July 1, 2007. PMGAA operates 3,042 acres as Phoenix-Mesa Gateway Airport.

PMGAA is overseen by a six-person board consisting of representatives from each of PMGAA's member governments. Membership in PMGAA is comprised of the Gila River Indian Community; Town of Gilbert, Arizona; City of Mesa, Arizona; City of Phoenix, Arizona; Town of Queen Creek, Arizona; and City of Apache Junction, Arizona.

PMGAA is further governed by a variety of federal, state and local laws, agreements and regulations. The Federal Aviation Administration (FAA) has jurisdiction over airport 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, PMGAA cannot legally transfer revenues to its member governments except in exchange for fair value received.

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

PMGAA earns revenue from aeronautical and non-aeronautical activities. Fees received for use of the airport include, but are not limited to, landing fees, tie down fees, terminal usage fees, fuel flowage fees, parking fees, rental car fees, and concession fees. PMGAA also owns and operates a fixed base fueling operation, leases land and facilities to various tenants, and contracts with 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 and police protection and parking services, legal and development consulting, maintenance and utilities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

PMGAA engages solely in business-type activities and presents only a single enterprise fund for external reporting purposes. Accordingly, PMGAA does not present government-wide financial statements, and the statements of net position, of revenues, expenses and changes in net position and the of cash flows report information for that single enterprise fund only.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Measurement Focus and Basis Accounting

The statement of net position and statement of revenues, expenses and changes in net position 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.

Proprietary, or, enterprise 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.

2. Passenger Facility Charges (PFC)

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act (Act), which authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. In May 1991, the Federal Aviation Administration issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects that meet at least one of the following criteria: (1) preserve or enhance safety, security, or capacity of the national transportation system; (2) reduce noise or mitigate noise impacts resulting from an airport; or (3) furnish opportunities for enhanced competition between or among carriers.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

2. Passenger Facility Charges (Continued)

PMGAA was granted permission to begin collection of a $4.50 per passenger PFC beginning with PMGAA's first application effective November 1, 2008. This authority continues with each successive application approved by the FAA for PMGAA's collection of PFCs, the most recent of which, application 21-07-C-00-IWA, awarded on March 9, 2021, grants PMGAA permission to impose and collect PFCs through June 1, 2033.

The PFC, less an $0.11 per passenger administrative fee charged by the airlines for processing, is collected by the airlines and remitted on a monthly basis to PMGAA. PFCs are not a grant to PMGAA, but rather a fee earned by PMGAA for passenger use of the airport facilities and is considered revenue when collected and remitted. However, as the use of the PFCs is restricted to those specific purposes approved by the FAA as part of each application by PMGAA, the revenue from PFCs is reported as nonoperating revenue in PMGAA's statement of revenues, expenses, and changes in net position. Unspent PFCs are reported as restricted cash, and restricted net position, in PMGAA's financial statements.

3. Use of Restricted Resources

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is PMGAA's policy to use restricted resources first before using unrestricted resources.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Deposits and investments

PMGAA'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. Cash and investments are pooled, except for funds required to be held by fiscal agents or restricted under provisions of bond indentures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

1. Deposits and investments (Continued)

State Statutes and Authority policy authorize PMGAA to invest in obligations of U.S. Treasury and U.S. Agencies, certificates of deposit and repurchase agreements held in eligible depositories, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state, highly rated commercial paper or the State Treasurer's Local Government Investment Pool. Investments are stated at fair value or amortized cost.

2. Receivables and Intergovernmental Receivables

All customer and non-governmental receivables are shown net of an allowance for uncollectible receivables. PMGAA annually reviews the balance in the reserve account to determine if, based on history, the allowance is adequate to cover current receivables, and adjusted accordingly. Receivables from other governments are assumed to be entirely collectible and are therefore not included in this analysis.

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 accordingly are recorded as prepaid items in the proprietary fund financial statements. These items are expensed as consumed.

4. Restricted Assets

As required by applicable law, regulation and agreement, certain resources are set aside for debt service requirements on bonds and loans. Additionally, unspent PFC funds and related receivables and customer deposits, upon which there are legal or external restrictions as to use, are set aside as restricted.

5. Capital Assets

Capital assets, which include property, plant, infrastructure, machinery and equipment, and vehicles, are defined by PMGAA as those assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of one year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

5. Capital Assets (Continued)

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and Improvements	5 – 30 years
Infrastructure	5 – 40 years
Machinery, Vehicles, and Equipment	3 – 10 years

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.

6. Deferred Outflows of Resources

PMGAA recognizes the consumption of net position that is applicable to a future reporting period as a deferred outflow of resources. The reported amount is related to the requirements of accounting and financial reporting for pensions.

7. Compensated Absences

The liability for compensated absences reported in the statement of net position consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

All employees (after a probationary period) are eligible for full payout of their vacation leave upon separation from service. Employees who retire in good standing from PMGAA are eligible for payment of 50% of their unused sick leave balance. Further, PMGAA's employee vacation policy provides for granting vacation leave payouts to eligible employees annually who meet the criteria.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

7. Compensated Absences (Continued)

Every year, employees are eligible for payout of their accrued vacation balances in excess of PMGAA's 240-hour limit, provided the employee has taken at least 80 hours of vacation during the previous fiscal year. The employee is compensated at their current rate of pay.

8. Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

9. Deferred inflows of resources

PMGAA recognizes the acquisition of net position that is applicable to a future reporting period as a deferred inflow of resources. The reported amount is related to the requirements of accounting and financial reporting for pensions.

10. Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Net position

In the statement of net position, net position is reported in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets is reported separately because capital assets make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside of PMGAA. Unrestricted net position is the remaining net position not included in the previous two categories.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

PMGAA 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. However, certain budget changes require board approval per certain PMGAA board policies and organizational policies and procedures.

NOTE 3 DETAILED NOTES

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2021 consist of the following:

	June 30, 2021
Cash on Hand	$ 800
Deposits:	
Cash in Bank	13,541,495
Investments:	
Money Market	5,664,142
State Treasurer's Investment Pool	19,049,094
Commercial Paper	26,479,305
Brokered Certificates of Deposit	5,810,745
Total Deposits and Investments	70,545,581
Less Restricted Assets	(4,469,020)
Cash and Investments on Statement of Net Position	$ 66,076,561

Investments and Fair Value Measurements – PMGAA uses fair value measurements to record value adjustments to certain assets and to determine fair value disclosures. PMGAA follows accounting principles generally accepted in the United States of America that define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

NOTE 3 DETAILED NOTES (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

The fair value measurements framework utilizes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Fair value measurements define levels within the hierarchy based on the reliability of inputs. Financial assets recorded on the statement of net position are categorized based on inputs to the measurement framework as follows:

Level 1 – Financial assets are valued using inputs that are unadjusted quoted proves in active markets accessible at the measurement date of identical financial assets. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in an active over-the-counter-market.

Level 2 – Financial assets are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

PMGAA's investments at June 30, 2021, categorized within the fair value hierarchy detailed above, were as follows:

		Fair Value Measurements Using		
	June 30, 2021	(Level I)	(Level II)	(Level III)
Investments by Fair Value Level				
Commercial Paper	$ 26,479,305	$ -	$ 26,479,305	$ -
Brokered Certificates of Deposit	5,810,745	5,810,745	-	-
Total Investments by Fair Value Level	$ 32,290,050	$ 5,810,745	$ 26,479,305	$ -
External Investment Pools				
Measured at Fair Value				
State Treasurer's Investment Pool	$ 19,049,094			
Total Investments by Fair Value Level				
Investments by Amortized Costs				
Money Market	$ 5,664,142			
Total Investments	$ 57,003,286			

NOTE 3 DETAILED NOTES (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The value of investments in LGIP 700 has been adjusted to fair market value at June 30, 2021. LGIP shares are not identified with specific investments held for PMGAA in physical or book entry form. Investments in the State Treasurer's Local Government Investment Pools are not insured or collateralized.

Custodial Credit Risk – Custodial Credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. PMGAA is not subject to custodial credit risk since its investments are not identified with specific investments held by others for PMGAA in physical or book entry form. PMGAA does not have a formal policy regarding credit risk. However, collateralization is addressed in the investment policy.

As of June 30, 2021, all PMGAA's funds held on deposit were fully collateralized through collateral pledged by PMGAA's banking institution in PMGAA's name.

Concentration Risk – Concentration risk is the increased risk to the organization when a significant portion of its resources are invested with a single issuer. PMGAA does not have a formal policy for concentration of credit risk. However, diversification of portfolio assets is addressed in the investment policy. The LGIP portfolio is not directly rated but holds only assets rated AAA by Moody's. Concentration percentages are shown below.

As of June 30, 2021, PMGAA had the following investments:

Rating Agency Investment	Rating	Amount	Percent
Not Rated			
Money Market	N/A	$ 5,664,142	10%
Commercial Paper	A-1/P-1 - A-2/P-2	26,479,305	46
Brokered Certificates of Deposit	N/A	5,810,745	10
State Treasurer's Investment Pool	N/A	19,049,094	34

NOTE 3 DETAILED NOTES (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Interest rate risk – Due to the short maturities of PMGAA's investments, the risk of losses due to market interest rate changes is minimal. PMGAA does not have a formal policy regarding interest rate risk. The following table shows the investment maturities by year and type of security:

	Maturity			
Investment Type	Less Than 1 Year	1-3 Years	More Than 3 Years	Total
State Treasurer's Investment Pool	$ -	$ 19,049,094	$ -	$ 19,049,094
Commercial Paper	26,479,305	-	-	26,479,305
Brokered Certificates of Deposit	5,810,745	-	-	5,810,745
Total	$ 32,290,050	$ 19,049,094	$ -	$ 51,339,144

2. Restricted cash

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

Customer Deposits	$ 1,815,998
Capital Restricted Funds	406,547
Current & Future Debt Service Reserves	2,246,475
Total Restricted Cash and Investments	$ 4,469,020

3. Receivables

At June 30, 2021, receivables were comprised of the following receivable balances, reduced as applicable by an allowance for uncollectible amounts:

	Receivables	Allowance	Net
Business-Type Activities:			
Accounts Receivable, Net	$ 941,367	$ -	$ 941,367
Due from Other Governments	2,599,355	-	2,599,355
Restricted Accounts Receivable, Net	702,220	-	702,220
Total Business-Type Activities	$ 4,242,942	$ -	$ 4,242,942

NOTE 3 DETAILED NOTES (CONTINUED)

A. Assets (Continued)

4. Capital assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	$ 87,769,177	$ 3,419,323	$ -	$ 91,188,500
Construction in Progress	16,560,668	21,253,615	(21,961,874)	15,852,409
Total Capital Assets Not Being Depreciated	104,329,845	24,672,938	(21,961,874)	107,040,909
Capital Assets Being Depreciated				
Buildings & Improvements	101,210,167	36,680	-	101,246,847
Infrastructure	238,554,381	17,277,399	(14,959)	255,816,821
Machinery, Vehicles, & Equipment	23,971,089	1,445,395	(590,359)	24,826,125
Total Captial Assets Being Depreciated	363,735,637	18,759,474	(605,318)	381,889,793
Less Accumulated Depreciation For:				
Buildings & Improvements	(50,730,036)	(4,802,296)	-	(55,532,332)
Infrastructure	(141,457,543)	(10,250,847)	14,959	(151,693,431)
Machinery, Vehicles, & Equipment	(12,883,511)	(2,038,486)	555,423	(14,366,574)
Total Accumulated Depreciation	(205,071,090)	(17,091,629)	570,382	(221,592,337)
Total Capital Assets Being Depreciated, Net	158,664,547	1,667,845	(34,936)	160,297,456
Business-type Activities Capital Assets, Net	$262,994,392	$ 26,340,783	$ (21,996,810)	$267,338,365

B. Purchase Commitments

PMGAA had major contractual commitments related to various capital projects at June 30, 2021, for the construction or acquisition of various improvements. As of June 30, 2021, PMGAA had $30,011,511, in remaining contractual commitments to contractors.

NOTE 3 DETAILED NOTES (CONTINUED)

B. Purchase Commitments (Continued)

PMGAA's commitments remaining open with contractors relating to these projects were as follows:

Project	Spent-to-Date	Remaining Commitment
Alpha Apron Rehabilitation Project	$ 164,437	$ 9,393,498
North Parking Lot (Economy) Phase 3	225,451	-
Eastside Development Project	39,912	-
PARC System Replacement	25,249	1,100,000
Design & Recon - Twy H Between B & 12R	151,994	1,248,005
Design and Construction - New ATCT	15,015,654	16,068,608
Taxiway W Rehabilitation	47,822	752,178
Rental Car Center Improvements	65,303	60,697
North Remote A/C Parking Apron	394	653,327
Security System Refresh	113,543	37,848
New Cellphone Lot	2,650	697,350
	$ 15,852,409	$ 30,011,511

C. Long-Term Obligations

On February 29, 2012, PMGAA issued $19,220,000 in Special Facility Revenue Bonds (Mesa Project) Series 2012. Previous to the issuance, on March 21, 2011, PMGAA entered into a Memorandum of Understanding (MOU) with the City of Mesa (the City) for the development, construction and lease of an aircraft maintenance, repair and overhaul facility at Phoenix-Mesa Gateway Airport. Under the terms of the MOU, PMGAA issued Special Facility Revenue Bonds which financed the construction of the facility, which was leased to the City through a property and special facility lease on February 1, 2012 (the Agreement). The facility is further subleased by the City under a separate agreement.

NOTE 3 DETAILED NOTES (CONTINUED)

C. Long-Term Obligations (Continued)

Under the terms of the agreement, the City will pay rent to PMGAA, comprised of base rent for the building and premises rent for the property. The City's base rent payments due under the terms of the Agreement will be in sums sufficient to pay, amongst other things, the principal of and interest on the Series 2012 Special Facility Revenue Bonds as they come due, as well as all charges and expenses of the Trustee.

Further, in connection with the issuance of the special facility revenue bonds, The City pledged a portion of its excise taxes, defined in the Series 2012 Special Facility Revenue Bond Official Statement, as security for payment of the base rent. The pledge of such excise taxes will be a junior lien, subordinate to certain outstanding senior obligations.

Annual principal and interest payments on the bonds are expected to require 100% of revenues pledged for base rent less all charges and expenses of the trustee. Interest is paid semi-annually based upon the principal amount of the bonds outstanding during such period. The bonds are payable from the future lease revenues from the City of Mesa through 2039. During that time frame total principal and interest to be paid on the bonds will be $35,216,300, with $24,291,250 remaining to be paid as of June 30, 2021. For the current fiscal year, $1,317,997 in base rent payments were utilized to repay $510,000 in principal and $788,950 in interest.

The maturity schedule for the PMGAA Series 2012 Special Facility Revenue Bonds is as follows:

Purpose	Interest Rates	Maturity Date	Original Amount	Outstanding Amount
Business-Type Activities:				
Special Facility Revenue Bonds:				
Series 2012	3.00-5.00%	07/01/21-38	$ 19,220,000	$ 15,995,000

NOTE 3 DETAILED NOTES (CONTINUED)

C. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2021 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Loans Payable					
Special Facilitiy Revenue Bonds	$ 16,505,000	$ -	$ (510,000)	$ 15,995,000	$ 530,000
Unamortized Premium on Bonds	470,612	-	(26,145)	444,467	-
Total Bonds and Loans Payable	16,975,612	-	(536,145)	16,439,467	530,000
Other Liabilities					
Compensated Absences	963,242	593,540	(603,203)	953,579	518,379
Business-Type Long-Term Liabilities	$ 17,938,854	$ 593,540	$ (1,139,348)	$ 17,393,046	$ 1,048,379

Debt service requirements on long-term debt at June 30, 2021, including future interest based on current repayment schedules, are as follows:

Fiscal Year Ending June 30,	Special Facility Revenue Bonds	
	Principal	Interest
2022	$ 530,000	$ 767,750
2023	550,000	745,750
2024	575,000	717,000
2025	605,000	686,750
2026	635,000	655,000
2027-2031	3,680,000	2,741,000
2032-2036	4,685,000	1,674,750
2037-2038	4,735,000	308,250
Total	$ 15,995,000	$ 8,296,250

NOTE 3 DETAILED NOTES (CONTINUED)

D. Operating Lease Revenue

PMGAA leases out various facilities on the airport. Leases are primarily for office buildings and hangars, but also include ground leases for tenant development. Occasionally PMGAA's lease agreements provide for rents based on the tenants' operating revenues or other criteria. Lease income included $2,365,985 of such contingent rents in the fiscal year ending June 30, 2021.

The following schedule shows contracted future revenue from noncancelable lease agreements in place at June 30, 2021:

Fiscal Year Ending June 30,	
2022	$ 4,776,410
2023	4,143,968
2024	4,054,594
2025	4,054,594
2026	4,034,017
2027-2031	18,892,191
2032-2036	16,415,753
2037-2041	16,311,240
2042-2046	15,368,562
2047-2051	12,761,801
2052-2056	6,801,280
2057-2061	3,107,615
2062-2066	3,107,615
2067-2071	1,264,654
2072-2076	660,648
2077-2078	123,802
Total	$ 115,878,744

With few exceptions, PMGAA'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. These future lease revenues include $42,243,614 in base rent from the City of Mesa that will be used to service the debt on the Series 2012 Special Facility Bonds.

NOTE 4 OTHER INFORMATION

A. Risk Management

In addition to safety efforts, PMGAA's risk management activities include purchase of commercial insurance for all significant risks. Risks retained by PMGAA 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, 2021.

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 January 1996, PMGAA entered into a prime lease with the United States Air Force for the real property encompassing approximately 3,005 of PMGAA's 3,042 acres of land, which comprised the majority of the former Williams Air Force Base, including the three runways, and 120 buildings or facilities (such as navigational aids) for the purpose of developing a public airport. Since then, portions of the property have been deeded to PMGAA as environmental clearances have been completed. Today less than one acre remains under lease pending environmental clearance. The real property conveyed via quitclaim deed was recorded at estimated fair market value at the date of the transfer.

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 $88,187,016 (net of accumulated depreciation) that are subject to certain restrictions contained in an indenture between the United States of America and PMGAA. Under the terms of the deed, this property is restricted for public airport purposes for the use and benefit of the public. No land or improvements can be used, leased, sold, salvaged, or disposed of by PMGAA for other than airport purposes without the written consent of the Administrator of the FAA. The term "airport purposes" as used in this deed includes the use and/or development of the property, including hotel development, to produce sources of revenue from nonaviation business.

Non-compliance with the terms of the indenture could, at the option of the Federal government, result in the Property reverting to the United States of America.

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Contingencies (Continued)

2. Arizona Department of Transportation (ADOT)

Property and Equipment includes $104,844,109 (net of accumulated depreciation) in improvements to real property that were paid for (in part) with funds from 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

PMGAA 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

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

Related Party	Member Contributions	Operating Revenues	Operating Expenses	Sales Tax Collected/ Remitted
City of Apache Junction, Arizona	$ 130,000	$ -	$ -	$ -
City of Mesa, Arizona	1,700,000	2,228,408	2,463,694	184,221
City of Phoenix, Arizona	1,300,000	-	-	-
Gila River Indian Community	450,000	1,530	-	-
Town of Gilbert, Arizona	350,000	-	-	-
Town of Queen Creek, Arizona	130,000	-	-	-
	$ 4,060,000	$ 2,229,938	$ 2,463,694	$ 184,221

PMGAA revenues above consist of member contributions, real property leases, utilities billings and minor maintenance work. PMGAA expenses include airport rescue and firefighting and police protection, water, and permits. Included in City of Mesa expenses is $141,503 in accounts payable at June 30, 2021.

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans

Arizona State Retirement System

PMGAA contributes to the Arizona State Retirement System (ASRS) Plan described below. The plan is a component unit of the State of Arizona.

Plan Description – PMGAA employees participate in the Arizona State Retirement System. The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

PMGAA does not report information related to the health insurance premium benefit or long-term disability OPEB plans, as the liability (asset), and related deferred outflows of resources, deferred inflows of resources, and OPEB expense (income) are not material.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date: Before July 1, 2011	Retirement Initial Membership Date: On or After July 1, 2011
Years of Service and Age and Age Required to Receive Benefit	Sum of Years and Age Equals 80 10 Years, Age 62 5 Years, Age 50* Any Years, Age 65	30 Years, Age 55 25 Years, Age 60 10 Years, Age 62 5 Years, Age 50* Any Years, Age 65
Final Average Salary is Based on	Highest 36 Consecutive Months of Last 120 Months	Highest 60 Consecutive Months of Last 120 Months
Benefit Percentage Per Year of Service	2.1% to 2.3%	2.1% to 2.3%

* With Actuarially Reduced Benefits

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22% (12.04% for retirement and 0.18% for long-term disability) of the members' annual covered payroll, and statute required PMGAA to contribute at the actuarially determined rate of 12.22% (11.65% for retirement, 0.39% for health insurance premium benefit, and 0.18% for long-term disability) of the active members' annual covered payroll. In addition, PMGAA was required by statute to contribute at the actuarially determined rate of 10.21% (10.14% for retirement and 0.07% for long-term disability) of annual covered payroll of retired members who worked for PMGAA in positions that an employee who contributes to the ASRS would typically be fill.

Contributions to the pension plan for the year ended June 30, 2021, were $777,064.

Pension Liability – At June 30, 2021, PMGAA reported a liability of $10,823,877 for its proportionate share of the net pension liability of the ASRS.

The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020.

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

PMGAA's proportion of the net pension liability was based on PMGAA's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2020. PMGAA's proportion as measured June 30, 2020 was 0.06247%, an increase of 0.00027 from its proportion measured as of June 30, 2019.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2021, PMGAA recognized pension expense for ASRS of $1,277,411. At June 30, 2021, PMGAA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 97,921	$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,043,976	-
Changes in Proportion and Differences between PMGAA Contributions and Proportionate Share of Contributions	88,696	-
PMGAA Contributions Subsequent to the Measurement Date	777,064	-
	$ 2,007,657	$ -

The $777,064 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	
2022	$ 197,888
2023	332,192
2024	377,617
2025	322,896

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

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

Actuarial Valuation Date	June 30, 2019
Actuarial Roll Forward Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.5%
Project Salary Increases	2.7 - 7.2%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Equity	50%	6.39%
Fixed Income - Credit	20%	5.44%
Fixed Income - Interest Rate Sensitive	10%	0.22%
Real Estate	20%	5.85%
Total	100%	

Discount Rate—The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute.

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of PMGAA's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate—The following table presents PMGAA's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what PMGAA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PMGAA's Proportionate Share of the Net Pension Liability	$ 14,801,505	$ 10,823,877	$ 7,498,784

Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

ICMA Deferred Compensation Plan

PMGAA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, administered by the International City/County Management Association (ICMA), is available to all PMGAA 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 PMGAA financial statements.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULE OF PMGAA'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
COST-SHARING PENSION PLAN
JUNE 30, 2021

	Reporting Fiscal Year (Measurement Date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
PMGAA's Proportion of the Net Pension Liability	0.06247%	0.06220%	0.06082%	0.05781%
PMGAA's Proportionate Share of the Net Pension Liability	$ 10,823,877	$ 9,050,824	$ 8,482,250	$ 9,005,671
PMGAA's Covered Payroll	6,845,232	6,574,179	6,069,562	5,529,421
PMGAA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	158.12%	137.67%	139.75%	162.87%
Plan Fiduciary net Position as a Percentage of the Total Pension Liability	69.33%	73.24%	73.40%	69.92%

	Fiscal Year			
	2021	2020	2019	2018
Statutorily Required Contribution	$ 777,064	$ 781,806	$ 733,438	$ 658,962
PMGAA's Contributions in relation to the Statutorily Required Contribution	777,064	781,806	733,438	658,962
PMGAA's Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
PMGAA's Covered Payroll	$ 6,689,029	$ 6,845,232	$ 6,574,179	$ 6,069,562
PMGAA's Contributions as a Percentage of Covered Payroll	11.62%	11.42%	11.16%	10.86%

Reporting Fiscal Year (Measurement Date)				
2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 Through 2012
0.05524%	0.05129%	0.05309%	0.06116%	Information Not Available
$ 8,916,291	$ 7,988,900	$ 7,855,199	$ 10,166,921	
5,133,214	4,722,184	4,761,393	5,245,907	
173.70%	169.18%	164.98%	193.81%	
67.06%	68.35%	69.49%	63.58%	

Fiscal Year					
2017	2016	2015	2014	2013	2012
$ 596,071	$ 556,955	$ 514,245	$ 512,048	$ 537,706	$ 508,808
596,071	556,955	514,245	512,048	537,706	508,808
$ -	$ -	$ -	$ -	$ -	$ -
$ 5,529,421	$ 5,133,214	$ 4,722,184	$ 4,761,393	$ 5,245,907	$ 5,152,977
10.78%	10.85%	10.89%	10.75%	10.25%	9.87%

THIS PAGE BLANK

OTHER INFORMATION

THIS PAGE BLANK

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY-BASIS
YEAR ENDED JUNE 30, 2021

AIRPORT - All Operations

	Budget	Actual	Variance
OPERATING REVENUES			
Aeronautical Operating Revenues			
Aircraft Parking	$ 235,409	$ 237,190	$ (1,781)
Fuel Flowage Fees	716,660	780,881	(64,221)
Landing Fees	1,269,948	1,678,140	(408,192)
Lease Income Aero	2,513,700	2,735,808	(222,108)
Fuel Sales	7,054,558	5,311,429	1,743,129
Services Sold - Aero	4,818,740	6,356,446	(1,537,706)
Non-Aeronautical Operating Revenues			
Concessions	988,900	771,285	217,615
Lease Income Non-Aero	1,205,334	1,299,436	(94,102)
Parking	3,880,955	2,734,558	1,146,397
Rental Car Fees	2,187,000	1,549,008	637,992
Svcs Sold - Non Aero	162,326	172,314	(9,988)
Total Operating Revenues	25,033,530	23,626,495	1,407,035
OPERATING EXPENSES			
Personnel	9,384,935	8,796,157	588,778
Costs of Goods Sold	4,459,955	2,984,075	1,475,880
Comm & Utilities	949,911	849,178	100,733
Contractual Services	5,860,383	4,738,626	1,121,757
Insurance	518,481	526,706	(8,225)
Other	876,148	331,113	545,035
Repair & Maintenance	1,624,050	788,561	835,489
Supplies & Materials	961,389	759,186	202,203
Air Service Incentives	2,000,000	-	2,000,000
Operating Contingency	2,463,525	-	2,463,525
Total Operating Expenses	29,098,777	19,773,602	9,325,175
OPERATING INCOME - BUDGETARY-BASIS	**$ (4,065,247)**	3,852,893	**$ (7,918,140)**

RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS

Depreciation is a GAAP-only Expenditure	(17,091,629)
Certain Expenditures (i.e. Compensated Leave) are recognized in Expense when Earned on a GAAP Basis, when Paid on a Budgetary-Basis	40,714
Pension Expense is a GAAP-only Expenditure	(1,277,411)
Pension Contributions are an Expense on a Budgetary-Basis	777,064
Lease Income Excludes Bond-Related Lease Income on a Budgetary-Basis	1,317,997
Operating Loss - GAAP Basis	**$ (12,380,372)**