

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2019**

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## 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, 2019, 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, 2019, 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 supplementary 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, 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**

Phoenix, Arizona  
September 30, 2019

**REQUIRED SUPPLEMENTARY INFORMATION**

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**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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, 2019.

**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 \$267.8 million (net position). Total net position increased by \$9.5 million during the fiscal year.
- PMGAA's operating revenues increased \$2.1 million (8.9%) 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.
- Capital grants and contributions increased \$4.5 million driven by large grant funded capital projects completed at PMGAA during the fiscal year.
- Fueling Operations increased \$1.0 million (9.3%) from prior year due as a result of expanded commercial aviation and military operations at PMGAA with related cost of sales increasing 12.5%, driven by market fluctuations in fuel prices.
- PMGAA's operations resulted in a net operating loss of \$9.2 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 10 - 13 of this report.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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 14 - 35 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 Supplementary 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 supplementary 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 decrease 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 \$267.8 million.

Airports are capital-intensive enterprises. 89.4% of PMGAA's net position is invested in capital assets (net of any outstanding debt used to acquire those assets).

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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 (1.6%) represents resources which are subject to external restrictions with respect to how they may be used. The remaining balance of unrestricted net position (9.0%) 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, 2019 and 2018.

**Phoenix-Mesa Gateway Airport Authority's Net Position  
June 30, 2019 and 2018**

	Business-Type Activities	
	2019	2018
<b>ASSETS</b>		
Current and Other Assets	\$ 43,340,381	\$ 40,893,010
Capital Assets, Net of Accumulated Depreciation	257,039,722	248,946,023
Total Assets	<u>300,380,103</u>	<u>289,839,033</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,703,410	1,645,321
<b>LIABILITIES</b>		
Current and Other Liabilities	5,461,082	3,780,222
Long-Term Liabilities	27,770,258	28,846,076
Total Liabilities	<u>33,231,340</u>	<u>32,626,298</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,002,807</u>	<u>558,088</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	239,329,668	230,087,761
Restricted	4,172,110	5,715,524
Unrestricted	24,347,588	22,496,683
Total Net Position	<u>\$ 267,849,366</u>	<u>\$ 258,299,968</u>

Net position increased by \$9.5 million (3.7%) from the previous fiscal year-end driven by increases in operating income and capital contributions including member capital contributions. Member contributions in fiscal year 2018-19 were \$4,060,000.

Net investment in capital assets increased \$9.2 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 \$1.5 million in the current year as PMGAA completed several large terminal capital projects utilizing restricted funds. Increase in unrestricted net position (\$1.9 million) reflects increased operating income for the current year as a result of increased airport operations.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Changes in Net Position**

All of PMGAA's activities are classified as business-type activities.

The table on the following page 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, 2019 and 2018**

	Business-Type Activities	
	2019	2018
<b>REVENUES</b>		
Charges for Sales and Services	\$ 19,979,544	\$ 18,280,167
Lease Income	5,797,628	5,389,538
Capital Grants and Contributions	14,030,965	9,579,218
Other	6,174,577	5,034,871
Total Revenues	45,982,714	38,283,794
<b>EXPENSES</b>		
Cost of Sales	4,285,799	3,770,766
Other Operating Expenses	16,064,589	15,089,642
Depreciation	14,614,112	13,299,577
Non-Operating Expenses	1,468,816	908,122
Total Expenses	36,433,316	33,068,107
<b>CHANGE IN NET POSITION</b>	9,549,398	5,215,687
Net Position - Beginning of Year	258,299,968	253,084,281
<b>NET POSITION - END OF YEAR</b>	\$ 267,849,366	\$ 258,299,968

**Revenues**

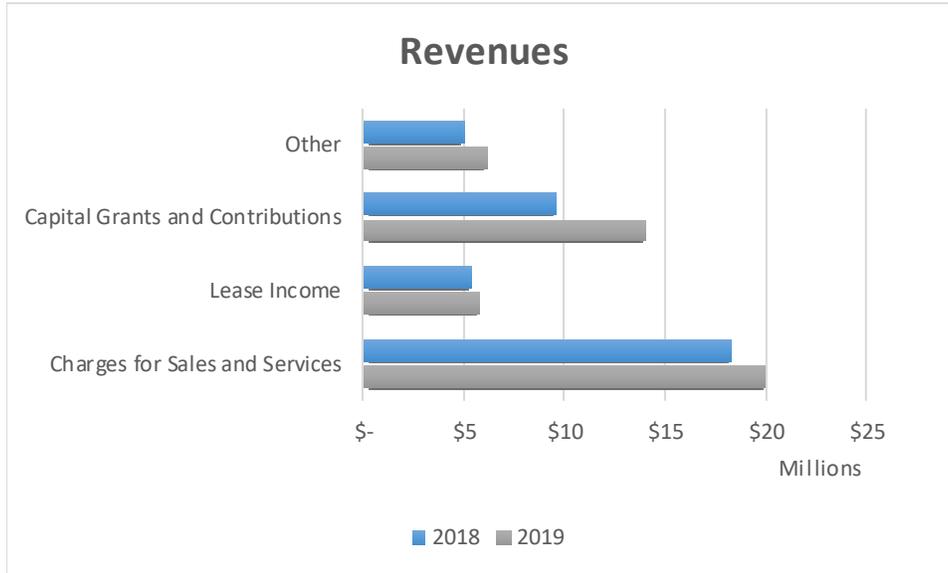
Overall revenues increased \$7.7 million from the previous fiscal year, generally as a result of increased activity at the airport. Charges for sales and services increased by \$1.7 million, driven by substantial increases in fueling operations and airport usage fees. Fueling Operations increased \$1.0 million (9.3%) from prior year due as a result of expanded commercial aviation and military operations at PMGAA with related cost of sales increasing 12.5%, driven by market fluctuations in fuel prices.

Airport Usage fees increased \$0.8 million (11.0%) from the prior year in line with overall increased airport activity. Commercial passenger activity increased at PMGAA 18% over the prior year.

The increase in capital grants and contributions was driven by changes in PMGAA's grant awards from the Federal Aviation Administration (FAA) and Arizona Department of Transportation (ADOT). For the current fiscal year, PMGAA received grant awards from the FAA and ADOT for the construction of phase 3 of Taxiway Charlie and for support and development of PMGAA's master plan.

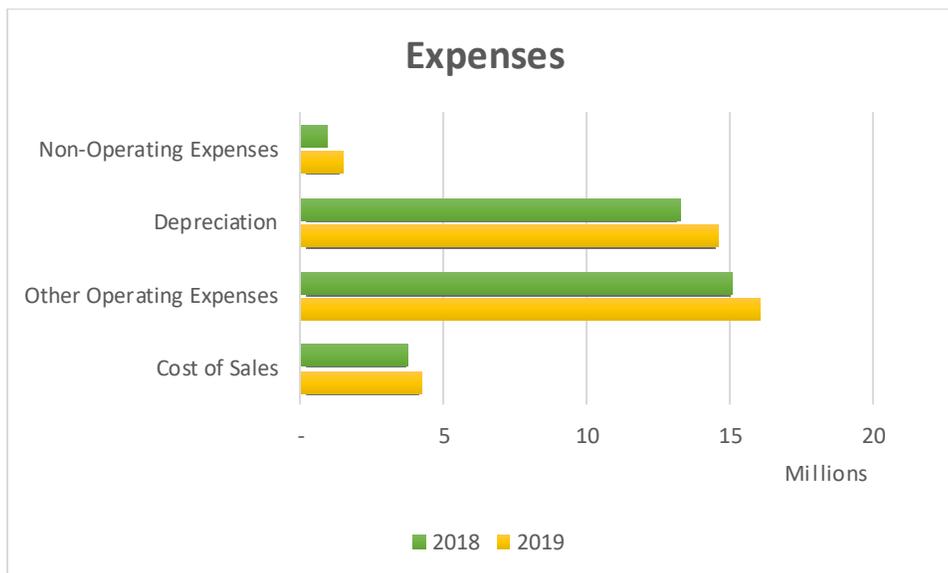
**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The increase in other income is substantially the result of a \$1.0 million increase in Passenger Facility Charge (PFC) Income, and a \$0.8 million increase in investment income from the previous fiscal year. Increase in PFC income is driven by the previously mentioned increase in commercial traffic at PMGAA. Investment income increased as a result of broader market conditions.



**Expenses**

Overall expenses increased \$3.4 million over the prior fiscal year. The largest driver of expense increase was depreciation expense (\$1.3 million), driven by an \$8.09 million net increase in assets from the previous year. Increases in personnel costs (\$0.3 million), cost of goods sold (\$0.5 million), and other expense (\$0.4 million) were all resultant of the increased activity at the airport, and the additional staffing, services and other expenses necessary to meet that demand.



**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets**

At June 30, 2019, PMGAA's capital assets totaled \$257.0 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. Total capital assets, net of depreciation, increased by 3.3% during the fiscal year.

**Capital assets (Net)  
June 30, 2019 and 2018**

	Business-Type Activities	
	2019	2018
Land	\$ 87,769,177	\$ 86,128,271
Construction in Progress	4,619,539	5,531,437
Buildings & Improvements	50,259,646	52,765,789
Infrastructure	103,478,447	98,076,825
Machinery & Equipment	10,912,913	6,443,701
	<u>\$ 257,039,722</u>	<u>\$ 248,946,023</u>

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

- Construction of Phase 3 of Taxiway Charlie (\$10.5 million)
- Baggage Make-up and Claim Improvements (\$3.6 million)
- Terminal Entrance Road Improvements (\$2.2 million)
- Purchase ADOT Remnant Land (\$1.6 million)
- Purchase New 2019 Aircraft Rescue and Fire Fighting (ARFF) Truck (\$0.7 million)
- ERP Implementation (\$1.1 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 \$19,540,401. 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 \$0.7 million from the prior fiscal year due to regularly scheduled principal payments.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The following schedule shows the outstanding debt of PMGAA as of June 30, 2019 and 2018.

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, 2019 and 2018**

	Business-Type Activities	
	2019	2018
Loans Payable	\$ 2,048,644	\$ 2,162,885
Special Facility Revenue Bonds	16,995,000	17,465,000
Unamortized Premium on Bonds	496,757	522,902
Obligations under Capital Lease	-	42,779
	<u>\$ 19,540,401</u>	<u>\$ 20,193,566</u>

**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 Federal Aviation Administration (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.

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## **BASIC FINANCIAL STATEMENTS**

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**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2019**

	Business-type Activities Proprietary Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Investments	\$ 34,115,266
Accounts Receivable, Net	1,232,482
Due from Other Governments	470,854
Prepaid Costs	329,926
Inventory	190,246
Restricted Assets:	
Restricted Cash and Investments	3,537,242
Cash with Fiscal Agent	904,475
Cash with Trustee	1,340,347
Customer Deposits	584,675
Accounts Receivable	634,868
Total Current Assets	43,340,381
Noncurrent Assets:	
Capital Assets:	
Non-Depreciable	92,388,716
Depreciable, Net	164,651,006
Total Noncurrent Assets	257,039,722
Total Assets	300,380,103
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,703,410
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	2,834,767
Accrued Liabilities	241,216
Unearned revenue	251,824
Current Liabilities Payable from Restricted Assets:	
Customer Deposits	584,675
Interest Payable	414,475
Current Portion of Long-Term Liabilities:	
Bonds and Loans Payable	609,789
Compensated Absences	524,336
Total Current Liabilities	5,461,082
Noncurrent liabilities:	
Bonds and Loans Payable	18,930,612
Compensated Absences	357,396
Net Pension Liability	8,482,250
Total Noncurrent Liabilities	27,770,258
Total Liabilities	33,231,340
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,002,807
<b>NET POSITION</b>	
Net Investment in Capital Assets	239,329,668
Restricted for Capital Outlay	4,172,110
Unrestricted	24,347,588
Total Net Position	\$ 267,849,366

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, 2019**

	Business-type Activities Proprietary Fund
<b>OPERATING REVENUES</b>	
Fueling Operations	\$ 11,307,597
Lease Income	5,797,628
Maintenance Services	365,295
Airport Usage Fees	8,306,652
Total Operating Revenues	25,777,172
<b>OPERATING EXPENSES</b>	
Personnel Costs	8,323,064
Professional Services	4,359,946
Cost of Goods Sold - Fueling Operations	4,194,144
Cost of Goods Sold - Maintenance Services	91,655
Repair and Maintenance	677,743
Utilities	864,640
Insurance	461,559
Other Expense	1,377,637
Depreciation	14,614,112
Total Operating Expenses	34,964,500
Operating Loss	(9,187,328)
<b>NONOPERATING REVENUE (EXPENSES)</b>	
Investment Income	872,865
PFC Income	4,232,077
CFC Income	982,615
Other Income (Expense)	7,570
Loss on Disposition of Assets	(563,335)
Intergovernmental Revenue	79,450
Interest Expense	(905,481)
Total Nonoperating Revenues (Expenses)	4,705,761
Loss Before Capital Grants and Contributions	(4,481,567)
Capital Grants and Contributions	14,030,965
Change in Net Position	9,549,398
Total Net Position - Beginning of Year	258,299,968
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 267,849,366</b>

See accompanying Notes to Basic Financial Statements.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2019**

	Business-type Activities Proprietary Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 26,357,027
Payments to Employees	(8,431,820)
Payments to Suppliers	(11,928,744)
Customer Deposits and Prepayments	33,166
Net Cash Flows from Operating Activities	6,029,629
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating Grants from Other Governments	79,450
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Construction and Acquisition of Capital Assets	(21,692,475)
Capital Contributions from Member Governments	4,060,000
Capital Grants from Other Governments	10,631,688
Passenger Facility Charges received	3,952,953
Customer Facility Charges received	982,622
Proceeds from Sale of Equipment	54,658
Principal Paid on Capital Debt	(627,020)
Interest Paid on Capital Debt	(941,026)
Net Cash Flows Used for Capital and Related Financing Activities	(3,578,600)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	872,865
Other Income (Expense)	7,570
Net Cash Flows from Investing Activities	880,435
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,410,914
Cash and Cash Equivalents - Beginning of Year	37,071,091
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 40,482,005
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>	
Cash and cash equivalents	\$ 34,115,266
Restricted cash	6,366,739
Total Cash and Cash Equivalents	\$ 40,482,005

(Continued)

See accompanying Notes to Basic Financial Statements.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2019**

	Business-type Activities Proprietary Fund
(Concluded)	
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (9,187,328)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	14,614,112
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Accounts Receivable	650,680
Prepaid Costs	(159,536)
Inventories	28,510
Accounts Payable and Accrued Liabilities	270,807
Unearned Revenue	(70,825)
Tenant Deposits	33,166
Deferred Outflows Related to Pension	(58,089)
Deferred Inflows Related to Pension	444,719
Net Pension Liability	(523,421)
Compensated Absences	(13,166)
Net Cash Provided by Operating Activities	\$ 6,029,629
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Capital Assets Acquired through Contributions from Other Governments	\$ 69,383
Loss on Disposal of Capital Assets	(625,093)
Amortization of Bond Issue Premium	26,145
Net Non-Cash Investing, Capital, and Financing Activities	\$ (529,565)

See accompanying Notes to Basic Financial Statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 3,005 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 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, 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 protection and parking services, legal and development consulting, maintenance and utilities.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
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**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**

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.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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 18-06-C-00-IWA, awarded on February 21, 2018, grants PMGAA permission to impose and collect PFCs through July 1, 2026.

The PFC, less an \$0.11 per passenger administrative fee charged by the airlines for processing, are 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 non-operating 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.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
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**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, 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.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
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**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.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
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**JUNE 30, 2019**

**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 position 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.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 DETAIL NOTES**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2019 consist of the following:

Cash on Hand	\$ 850
Deposits:	
Cash in Bank	5,729,951
Investments:	
Money Market	9,093,940
State Treasurer's Investment Pool	18,568,297
Federal Home Loan Bank	309,526
Federal Home Loan Mortgage Corporation	326,127
U.S. Treasury Notes	704,694
Brokered Certificates of Deposit	5,748,620
Total Deposits and Investments	<u>40,482,005</u>
Less Restricted Assets	<u>(6,366,739)</u>
Cash and Investments on Statement of Net Position	<u>\$ 34,115,266</u>

*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 excepted 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.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DETAIL 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 prices 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, 2019, categorized within the fair value hierarchy detailed above, were as follows:

	June 30, 2019	Fair Value Measurements Using		
		(Level I)	(Level II)	(Level III)
<b>Investments by Fair Value Level</b>				
U.S. Treasury Notes	\$ 704,694	\$ -	\$ 704,694	\$ -
Federal Home Loan Mortgage Corporation	326,127	-	326,127	-
Brokered Certificates of Deposit	5,748,620	5,748,620	-	-
Total Investments by Fair Value Level	<u>\$ 6,779,441</u>	<u>\$ 5,748,620</u>	<u>\$ 1,030,821</u>	<u>\$ -</u>
<b>External Investment Pools</b>				
<b>Measured at Fair Value</b>				
State Treasurer's Investment Pool	<u>\$ 18,568,297</u>			
Total Investments by Fair Value Level				
<b>Investments by Amortized Costs</b>				
Money Market	\$ 9,093,940			
Federal Home Loan Bank	309,526			
Total Investments by Amortized Cost	<u>\$ 9,403,466</u>			
Total Investments	<u>\$ 34,751,204</u>			

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DETAIL 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, 2019. 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, 2019, 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, 2019, PMGAA had the following investments:

Rating Agency Investment	Rating	Amount	Percent
Standard and Poor's			
Federal Home Loan Mortgage Corporation	AA+	\$ 326,127	1%
Moody's Investor Service			
US Treasury Notes	Aaa	704,694	2
Not Rated			
Federal Home Loan Bank	N/A	309,526	1
Money Market	N/A	9,093,940	26
Brokered Certificates of Deposit	N/A	5,748,620	17
State Treasurer's Investment Pool	N/A	18,568,297	53

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DETAIL 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:

Investment Type	Maturity			Total
	Less Than 1 Year	1-3 Years	More Than 3 Years	
State Treasurer's Investment Pool	\$ -	\$ 18,568,297	\$ -	\$ 18,568,297
Federal Home Loan Bank	309,526			309,526
Federal Home Loan Mortgage Corporation	326,127			326,127
U.S. Treasury Notes	704,694			704,694
Brokered Certificates of Deposit	3,249,292	2,499,328		5,748,620
Total	<u>\$ 4,589,639</u>	<u>\$ 21,067,625</u>	<u>\$ -</u>	<u>\$ 25,657,264</u>

**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	\$ 584,675
Passenger Facility Charges (PFC's)	3,537,242
Current & Future Debt Service Reserves	2,244,822
Total Restricted Cash and Investments	<u>\$ 6,366,739</u>

**3. Receivables**

At June 30, 2019, receivables were comprised of the following receivable balances, reduced as applicable by an allowance for uncollectible amounts:

	Receivables	Allowance	Net
<b>Business-Type Activities:</b>			
Accounts Receivable, Net	\$ 1,277,505	\$ (45,023)	\$ 1,232,482
Due from Other Governments	470,854	-	470,854
Restricted Accounts Receivable, Net	634,868	-	634,868
<b>Total Business-Type Activities</b>	<u>\$ 2,383,227</u>	<u>\$ (45,023)</u>	<u>\$ 2,338,204</u>

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DETAIL NOTES (CONTINUED)**

**A. Assets (Continued)**

**4. Capital assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 86,128,271	\$ 1,640,906	\$ -	\$ 87,769,177
Construction in Progress	5,531,437	19,974,257	(20,886,155)	4,619,539
Total Capital Assets Not Being Depreciated	<u>91,659,708</u>	<u>21,615,163</u>	<u>(20,886,155)</u>	<u>92,388,716</u>
Capital Assets Being Depreciated				
Buildings & Improvements	94,722,206	1,820,361	-	96,542,567
Infrastructure	222,085,748	14,340,884	(710,767)	235,715,865
Machinery, Vehicles, & Equipment	17,007,263	6,042,528	(440,428)	22,609,363
Total Capital Assets Being Depreciated	<u>333,815,217</u>	<u>22,203,773</u>	<u>(1,151,195)</u>	<u>354,867,795</u>
Less Accumulated Depreciation For:				
Buildings & Improvements	(41,956,417)	(4,326,504)	-	(46,282,921)
Infrastructure	(124,008,923)	(8,714,292)	485,797	(132,237,418)
Machinery, Vehicles, & Equipment	(10,563,562)	(1,573,316)	440,428	(11,696,450)
Total Accumulated Depreciation	<u>(176,528,902)</u>	<u>(14,614,112)</u>	<u>926,225</u>	<u>(190,216,789)</u>
Total Capital Assets Being Depreciated, Net	<u>157,286,315</u>	<u>7,589,661</u>	<u>(224,970)</u>	<u>164,651,006</u>
Business-type Activities				
Capital Assets, Net	<u>\$248,946,023</u>	<u>\$ 29,204,824</u>	<u>\$ (21,111,125)</u>	<u>\$257,039,722</u>

**B. Purchase Commitments**

PMGAA had major contractual commitments related to various capital projects at June 30, 2019, for the construction or acquisition of various improvements. As of June 30, 2019 PMGAA had \$2,011,035 in remaining contractual commitments to contractors.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DETAIL 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
Construction of Taxiway C (L to End of Runway 30R)	\$ 10,139,572	\$ 8,532
Design Air Traffic Control Tower	692,989	1,022,811
Term Apron GPU Replacement	217,758	54,440
Unleaded/Diesel Fuel Station	40,740	9,160
Ellsworth Channel Design	774,099	86,943
Ray Road Covered Parking	436,653	14,383
Airport Master Plan Update	704,415	194,708
Baggage Make-up and Caim Improvements	1,765,480	11,178
Terminal Concessions Additions	125,134	100,578
AWOS Replacement	129,555	39,107
Digital Monument Sign	7,119	1,000
Visual Paging	5,000	10,500
ERP Financial System	1,032,305	457,695
	<u>\$ 16,070,819</u>	<u>\$ 2,011,035</u>

**C. Long-Term Obligations**

During FY2006, the Arizona Department of Transportation (ADOT) loaned PMGAA \$3 million at 4.77% interest with a 25 year term to finance construction of a hangar and teaching facility on the airport for Arizona State University. The quarterly payments began in June 2007.

On February 29, 2012, PMGAA issued \$19,220,000 in Special Facility Revenue Bonds (Mesa Project) Series 2012. Subsequently, 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.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DETAIL 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 \$26,889,550 remaining to be paid as of June 30, 2019. For the current fiscal year, \$1,299,290 in base rent payments was utilized to repay \$470,000 in principal and \$829,290 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%	07/01/19-38	<u>\$ 19,220,000</u>	<u>\$ 16,995,000</u>

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DETAIL NOTES (CONTINUED)**

**C. Long-Term Obligations (Continued)**

Changes in long-term obligations for the year ended June 30, 2019 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Bonds and Loans Payable</b>					
Loans Payable	\$ 2,162,885	\$ -	\$ (114,241)	\$ 2,048,644	\$ 119,789
Special Facility Revenue Bonds	17,465,000	-	(470,000)	16,995,000	490,000
Unamortized Premium on Bonds	522,902	-	(26,145)	496,757	-
Total Bonds and Loans Payable	<u>20,150,787</u>	<u>-</u>	<u>(610,386)</u>	<u>19,540,401</u>	<u>609,789</u>
<b>Other Liabilities</b>					
Obligations under Capital Lease	42,779	-	(42,779)	-	-
Compensated Absences	894,898	537,952	(551,118)	881,732	524,336
Business-Type Long-Term Liabilities	<u>\$ 21,088,464</u>	<u>\$ 537,952</u>	<u>\$ (1,204,283)</u>	<u>\$ 20,422,133</u>	<u>\$ 1,134,125</u>

Debt service requirements on long-term debt at June 30, 2019, including future interest based on current repayment schedules, are as follows:

Fiscal Year Ending June 30,	<u>Loans Payable</u>		<u>Special Facility Revenue Bonds</u>	
2020	\$ 119,789	\$ 95,599	\$ 490,000	\$ 809,350
2021	125,606	89,782	510,000	788,950
2022	131,705	83,682	530,000	767,750
2023	138,101	77,287	550,000	745,750
2024	144,807	70,581	575,000	717,000
2025-2029	836,597	240,342	3,340,000	3,100,250
2030-2034	552,039	40,277	4,255,000	2,132,250
2035-2039	-	-	6,745,000	833,250
Total	<u>\$ 2,048,644</u>	<u>\$ 697,550</u>	<u>\$ 16,995,000</u>	<u>\$ 9,894,550</u>

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3   DETAIL 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 \$2,741,105 of such contingent rents in the fiscal year ending June 30, 2019.

The following schedule shows contracted future revenue from noncancelable lease agreements in place at June 30, 2019:

Fiscal Year Ending June 30,

2020	\$ 5,199,928
2021	4,396,994
2022	3,348,649
2023	2,654,602
2024	2,654,602
2025-2029	12,616,960
2030-2034	12,110,843
2035-2039	11,725,555
2040-2044	11,523,801
2045-2049	10,513,025
2050-2054	8,020,250
2055-2059	1,030,054
2060-2064	926,725
2065-2069	926,725
2070-2074	775,943
2075-2079	329,862
Total	<u>\$ 88,754,518</u>

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 \$44,880,000 in base rent from the City of Mesa that will be used to service the debt on the Series 2012 Special Facility Bonds.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019.

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 PMGAA 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 PMGAA as environmental clearances have been completed. Less than one acre remains under the 25-year lease, which PMGAA entered in January 1996. Together, the deed and long-term lease encompass approximately 3,005 acres of land, which includes the three runways, and 120 buildings or facilities (such as navigational aids). The real property conveyed in the deed was recorded at estimated fair market value at the date of the transfer.

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 \$91,822,214 (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.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Contingencies (Continued)**

**2. Arizona Department of Transportation (ADOT)**

Property and Equipment includes \$110,672,377 (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	\$ -	\$ 2,500	\$ -
City of Mesa, Arizona	1,700,000	1,497,516	2,051,989	262,212
City of Phoenix, Arizona	1,300,000	-	-	-
Gila River Indian Community	450,000	17,285	-	-
Town of Gilbert, Arizona	350,000	-	-	-
Town of Queen Creek, Arizona	130,000	-	-	-
	<u>\$ 4,060,000</u>	<u>\$ 1,514,801</u>	<u>\$ 2,054,489</u>	<u>\$ 262,212</u>

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 \$236,530 in accounts payable at June 30, 2019.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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](http://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	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

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.8% (11.64% for retirement and 0.16% for long-term disability) of the members' annual covered payroll, and statute required PMGAA to contribute at the actuarially determined rate of 11.8% (11.18% for retirement, 0.46% for health insurance premium benefit, and 0.16% 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 10.53% (10.41% for retirement, 0.06% for health insurance premium benefit, and 0.06% for long-term disability) of annual covered payroll of retired members who worked for PMGAA in positions that and employee who contributes to the ASRS would typically be fill.

Contributions to the pension plan for the year ended June 30, 2019, were \$733,438.

**Pension Liability** – At June 30, 2019, PMGAA reported a liability of \$8,482,250 for its proportionate share of the net pension liability of the ASRS.

The net pension liability was measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018.

The net pension liability measured as of June 30, 2018, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8% to 7.5%, changing the projected salary increases from 3-6.75% to 2.7-7.2%, decreasing the inflation rate from 3% to 2.3%, and changing the mortality rates.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2018. PMGAA's proportion as measured June 30, 2018 was 0.06082%, an increase of 0.00301 from its proportion measured as of June 30, 2017.

**Pension Expense and Deferred Outflows/Inflows of Resources** – For the year ended June 30, 2019, PMGAA recognized pension expense for ASRS of \$596,647. At June 30, 2019, PMGAA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 233,679	\$ 46,761
Changes of Assumptions or Other Inputs	224,456	752,068
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	203,978
Changes in Proportion and Differences between PMGAA Contributions and Proportionate Share of Contributions	511,837	-
PMGAA Contributions Subsequent to the Measurement Date	733,438	-
	<u>\$ 1,703,410</u>	<u>\$ 1,002,807</u>

The \$733,438 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, 2020. 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,	
2020	\$ 395,545
2021	(27,484)
2022	(309,420)
2023	(91,476)

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2017
Actuarial Roll Forward Date	June 30, 2018
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, 2017, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Equity	50%	5.50%
Fixed Income	30%	3.83%
Real Estate	20%	5.85%
Total	<u>100%</u>	

**Discount Rate**—At June 30, 2018, the discount rate used to measure the total pension liability was 7.5%, which is a decrease of 0.5% from the discount rate used as of June 30, 2017. 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.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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	\$ 12,091,642	\$ 8,482,250	\$ 5,466,661

**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.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Subsequent Event**

On September 17, 2019, PMGAA's board authorized the Executive Director to execute agreements for the sale the ASU Hangar Facility for \$3.1 million. Proceeds from the sale of the facility will be utilized to pay off the remaining \$2.0 on the ADOT loan related to the ASU Hangar. Pay-off of the loan will result in \$0.6 million in savings on interest payments.

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**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, 2019**

	Reporting Fiscal Year (Measurement Date)			
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
PMGAA's Proportion of the Net Pension Liability	0.06082%	0.05781%	0.05524%	0.05129%
PMGAA's Proportionate Share of the Net Pension Liability	\$ 8,482,250	\$ 9,005,671	\$ 8,916,291	\$ 7,988,900
PMGAA's Covered Payroll	6,069,562	5,529,421	5,133,214	4,722,184
PMGAA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	139.75%	162.87%	173.70%	169.18%
Plan Fiduciary net Position as a Percentage of the Total Pension Liability	73.40%	69.92%	67.06%	68.35%

	Fiscal Year			
	2019	2018	2017	2016
Statutorily Required Contribution	\$ 733,438	\$ 658,962	\$ 596,071	\$ 556,955
PMGAA's Contributions in relation to the Statutorily Required Contribution	733,438	658,962	596,071	556,955
PMGAA's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
PMGAA's Covered Payroll	\$ 6,574,179	\$ 6,069,562	\$ 5,529,421	\$ 5,133,214
PMGAA's Contributions as a Percentage of Covered Payroll	11.16%	10.86%	10.78%	10.85%

Reporting Fiscal Year (Measurement Date)		
2015 (2014)	2014 (2013)	2013 Through 2010
0.05309%	0.06116%	Information Not Available
\$ 7,855,199 4,761,393	\$ 10,166,921 5,245,907	
164.98%	193.81%	
69.49%	63.58%	

Fiscal Year					
2015	2014	2013	2012	2011	2010
\$ 514,245	\$ 512,048	\$ 537,706	\$ 508,808	\$ 439,579	\$ 417,079
514,245	512,048	537,706	508,808	439,579	417,079
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,722,184	\$ 4,761,393	\$ 5,245,907	\$ 5,152,977	\$ 5,130,260	\$ 5,233,951
10.89%	10.75%	10.25%	9.87%	8.57%	7.97%

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**SUPPLEMENTARY INFORMATION**

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**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY-BASIS  
YEAR ENDED JUNE 30, 2019**

**AIRPORT - All Operations**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>OPERATING REVENUES</b>			
Aeronautical Operating Revenues			
Aircraft Parking	\$ 325,200	\$ 250,633	\$ 74,567
Fuel Flowage Fees	606,697	695,513	(88,816)
Landing Fees	1,049,103	1,248,257	(199,154)
Lease Income Aero	2,596,278	3,034,812	(438,534)
Fuel Sales	4,980,047	6,508,544	(1,528,497)
Services Sold - Aero	4,205,677	4,719,334	(513,657)
Non-Aeronautical Operating Revenues			
Concessions	660,563	885,214	(224,651)
Lease Income Non-Aero	1,173,257	1,212,893	(39,636)
Parking	3,322,609	3,581,273	(258,664)
Rental Car Fees	1,780,828	2,123,745	(342,917)
Svcs Sold - Non Aero	56,821	277,817	(220,996)
Total Operating Revenues	<u>20,757,080</u>	<u>24,538,035</u>	<u>(3,780,955)</u>
<b>OPERATING EXPENSES</b>			
Personnel	8,470,850	8,390,013	80,837
Costs of Goods Sold	3,500,705	4,285,799	(785,094)
Comm & Utilities	916,041	864,640	51,401
Contractual Services	5,092,502	4,359,946	732,556
Insurance	523,853	461,559	62,294
Other	372,430	392,911	(20,481)
Repair & Maintenance	1,070,150	677,743	392,407
Supplies & Materials	798,340	962,634	(164,294)
Air Service Incentives	2,000,000	-	2,000,000
Operating Contingency	2,074,487	-	2,074,487
Total Operating Expenses	<u>24,819,358</u>	<u>20,395,245</u>	<u>4,424,113</u>
<b>OPERATING INCOME - BUDGETARY-BASIS</b>	<b><u>\$ (4,062,278)</u></b>	<b>4,142,790</b>	<b><u>\$ (8,205,068)</u></b>
<b>RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS</b>			
Depreciation is a GAAP-only Expenditure		(14,614,112)	
Certain Expenditures (i.e. Compensated Leave) are recognized in			
Expense when Earned on a GAAP Basis, when Paid on a Budgetary-Basis		121,495	
Pension Expense is a GAAP-only Expenditure		596,647	
Pension Contributions are an Expense on a Budgetary-Basis		(733,438)	
Lease Income Excludes Bond-Related Lease Income on a Budgetary-Basis		1,299,290	
<b>Operating Loss - GAAP Basis</b>		<b><u>\$ (9,187,328)</u></b>	